

# 亞洲木薯資源控股有限公司 Asia Cassava Resources Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

## Placing and Public Offer



Sponsor

 **taifook**  
TAIFOOK CAPITAL LIMITED

Sole Bookrunner and Sole Lead Manager

 **taifook**  
TAIFOOK SECURITIES COMPANY LIMITED

## IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

# ASIA CASSAVA RESOURCES HOLDINGS LIMITED 亞洲木薯資源控股有限公司

(incorporated in the Cayman Islands with limited liability)

## LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED PLACING AND PUBLIC OFFER

Number of Offer Shares	:	75,000,000 Shares (subject to the Over-allotment Option)
Number of Placing Shares	:	67,500,000 Shares (subject to the Over-allotment Option and re-allocation)
Number of Public Offer Shares	:	7,500,000 Shares (subject to re-allocation)
Offer Price	:	Not more than HK\$2.04 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$1.02 per Offer Share
Nominal value	:	HK\$0.10 each
Stock code	:	841

Sponsor



Sole Bookrunner and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company on or before 14 March 2009 or such later time as may be agreed between the parties, but in any event, no later than 6:00 p.m. (Hong Kong time) on 18 March 2009. If, for any reason, the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on 18 March 2009, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$2.04 per Offer Share and is currently expected to be not less than HK\$1.02 per Offer Share unless otherwise announced in the manner set out below. Investors applying for Offer Shares must pay the maximum Offer Price of HK\$2.04 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price finally determined is lower than HK\$2.04 per Offer Share. The Sole Lead Manager (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced such applications cannot be subsequently withdrawn.

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Share Offer, the Sole Lead Manager (for itself and on behalf of the Underwriters) has the right in certain circumstances, subject to its sole and absolute opinion, to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on Listing Date (such date is currently expected to be 23 March 2009). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" in this prospectus.

26 February 2009

## EXPECTED TIMETABLE

	2009 (Note 1)
Application lists of the Public Offer open (Note 2) .....	11:45 a.m. on 13 March
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on 13 March
Latest time to give <b>electronic application instructions</b> to HKSCC (Note 3) .....	12:00 noon on 13 March
Application lists of the Public Offer close (Note 2) .....	12:00 noon on 13 March
Expected Price Determination Date on or before .....	14 March
Announcement of the final Offer Price, the indication of the level of interests in the Placing, the results of the Public Offer and the basis of allotment of the Public Offer Shares to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese), on the Company's website ( <a href="http://www.asiacassava.com">www.asiacassava.com</a> ) and the Stock Exchange's website ( <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> ) on or before .....	20 March
Results of allocations in the Public Offer, including the Hong Kong Identity Card/passport/ Hong Kong Business Registration numbers (where applicable) of successful applicants will be made available through a variety of channels as described in the paragraph headed "Publication of Results" in the section headed "How to apply for Public Offer Shares" in this prospectus, including the Company's website ( <a href="http://www.asiacassava.com">www.asiacassava.com</a> ) and the Stock Exchange's website ( <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> ) and the website of Tricor Investor Services Limited at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> from .....	20 March
Despatch of refund cheques in respect of wholly or partially unsuccessful applications under the Public Offer on or before (Note 4) .....	20 March
Despatch/collection of Share certificates on or before (Note 4 and 5) .....	20 March
Dealings in the Shares on the Main Board expected to commence on .....	9:30 a.m. on 23 March

*The application for the Offer Shares will commence on Thursday, 26 February 2009 up to Friday, 13 March 2009 for a total of fourteen calendar days (excluding Sundays), being longer than normal market practice of about four Business Days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 20 March 2009. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 23 March 2009.*

## EXPECTED TIMETABLE

*Notes:*

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus. If there is a change to the above expected timetable, the Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese).
2. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 13 March 2009, the application lists will not open and close on that day. See the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to apply for Public Offer Shares" of this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to apply by giving **electronic application instructions** to HKSCC" in the section headed "How to apply for Public Offer Shares" of this prospectus.
4. Applicants who apply with **WHITE** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect their refund cheques and/or Share certificates in person from the Company's Hong Kong branch share registrar may collect refund cheques (where applicable) and/or Share certificates in person from the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 20 March 2009. Identification and authorisation documents (where applicable) acceptable to Tricor Investor Services Limited must be produced at the time of collection.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect their refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants.

Refund cheques will be issued in respect of wholly and partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the maximum Offer Price per Offer Share initially paid on application.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post and at the own risk of the applicants shortly after the time for collection at the date of despatch of refund cheque as described in the paragraph headed "Despatch/Collection of share certificates and refund of application money" under the section headed "How to apply for Public Offer Shares" of this prospectus.

5. Share certificates for the Offer Shares will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and the Underwriting Agreement is not terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be on Monday, 23 March 2009.

**Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Share Offer, Taifook Securities (for itself and on behalf of the Underwriters) has the right in certain circumstances, subject to its sole and absolute opinion, to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Monday, 23 March 2009). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" of this prospectus.**

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*You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.*

*The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms.*

*Any information or representation not made in this prospectus and the related Application Forms must not be relied on by you as having been authorised by the Company, the Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or affiliates of any of them or any other person or parties involved in the Share Offer.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

The Group was the largest exporter of dried cassava chips in Thailand and the largest supplier of dried cassava chips imported from Thailand to the PRC from 2003 to 2007 by export volume based on the annual reports of TTTA. The Group's products can be used for the production of ethanol fuel; however, the majority of the Group's products were not used for the production of new energy during the Track Record Period and the Group does not possess any proprietary technology in new energy development.

Based on the information from the FAO, Thailand was the largest exporting country of dried cassava between 1970 and 2006, with a contribution to the total world exports of over 60% every year in the period. China was the largest importing country of dried cassava in the world between 2001 and 2006. The contribution of the China import to the total world imports increased from approximately 5% in 2000 to approximately 89% in 2006. Between 2002 and 2005, the bilateral trade of dried cassava from Thailand to China was the largest bilateral trade of dried cassava in the world. In 2005, Thailand's export of dried cassava to China contributed a dominating 70% of the total exports in the world. Based on the information from the TTTA annual reports, Thailand's exports of cassava chips to China in 2006 were approximately 3.96 million tonnes, which increased by approximately 43% from approximately 2.77 million tonnes in 2005. However, the export of cassava chips and pellets to China reduced to 3.22 million tonnes in 2007, representing a decrease of approximately 19% as compared with that in the previous year. Based on the information from the TTTA Newsletters between January and December 2008, Thailand's exports of cassava chips to China for this period were approximately 1.05 million tonnes.

Cassava is a starchy multi-purpose tropical crop. In China, dried cassava is used among other applications as raw material for the production of consumable alcohol and emerging non-grain feedstock of ethanol fuel, which is a form of renewable energy to substitute petrol (gasoline).

According to the recent policies 《國家發展改革委關於加強玉米加工項目建設管理的緊急通知》 (Urgent Circular on Strengthening Management of Corn Processing Projects by the National Development and Reform Commission), the Renewable Energy Plan, 《關於促進玉米深加工業健康發展的指導意見》 (Guided Opinion on Facilitation of the Healthy Development of Corn Refined Processing Industry) and 《可再生能源發展“十一五”規劃》 (Development Plan for Renewable Energy in the 11th Five-Year Plan), announced by the NDRC in December 2006, August 2007, September 2007 and March 2008, respectively, the PRC government will encourage the production and consumption of ethanol fuel to substitute petrol. However, the PRC government has set out non-competition for grain

## SUMMARY

with people and non-competition for harvest land with grain (“不與民爭糧，不與糧爭地”) as the principles for the development of bio-fuels and corn will be used with priority for, among others, animal feeds and food. The current emphasis of the PRC government is to develop ethanol fuel technologies that apply non-grain feedstock, such as cassava, as raw materials for production of ethanol fuel. As a matter of national direction, the production capacity of ethanol fuel projects with grain feedstock, such as maize, as raw material will not be increased in the PRC. Cassava is a type of tuberous plant and is used in the production of ethanol fuel. According to the Renewable Energy Plan, the targets are to increase the production of ethanol fuel by non-grain feedstock to 2 million tonnes by 2010 and to 10 million tonnes by 2020. These will be equivalent to a substitute of 10 million tonnes of petroleum by 2020.

The Group sources dried cassava chips from Southeast Asia (principally Thailand), stores dried cassava chips in the warehouse facilities, organises shipping and delivery logistics and supplies its products mainly under the “Artwell” brand to its customers in the PRC. The cassava supply network in Thailand involves not only cassava growers but also processors and cassava traders. The Group has established its cassava procurement business in Thailand since 2001 and has maintained business relationships with over 200 cassava growers, processors and traders in Southeast Asia.

To facilitate the procurement and export of dried cassava chips business in Thailand, Alush Thailand was established in 2001. The beneficial interests in and the effective control over the equity interest in Alush Thailand since its incorporation in 2001 and prior to the acquisition of 100% interests in Alush Thailand by the Group are structured under the Alush Arrangements.

Pursuant to the Reorganisation, the Group acquired the entire issued share capital of Alush Thailand in March 2008 and the Alush Arrangements ceased to have any effect since then. Further particulars of the Alush Arrangements are set out in the paragraph headed “Thai Arrangements” under the section headed “History and development” of this prospectus.

With a view to broadening the sources of the dried cassava chips in Thailand, Mr. Chu’s beneficial interests in and effective control over 99.95% of the shareholdings in Global Property were structured through the GP Arrangements in November 2007.

Pursuant to the Reorganisation, the Group acquired 100% effective control of Global Property in March 2008, among which (i) as to 49% by acquisition of the 48.95% of the issued shares registered under Mr. Su’s name and the 0.05% of the issued shares from five Thai national individuals, all being Independent Third Parties; and (ii) as to the remaining 51% control effected through Aja-Art Rich Arrangements.

Upon completion of the relevant stage of the Reorganisation, the GP Arrangements ceased to have any effect since then. Details of the acquisition and the Aja-Art Rich Arrangements are set out in the paragraph headed “Thai Arrangements” under the section headed “History and development” of this prospectus.

## SUMMARY

According to the Company's Thai legal advisers, under the Foreign Business Act, a Thai national company, i.e. more than 50% of issued shares of the company are held by Thai national, is entitled to engage in all kinds of businesses in Thailand, including owning land and other properties. Under the Land Code of Thailand, the Group may own land in Thailand if it has obtained an investment promotion status from the Office of the Board of Investment, or has located its businesses in any industrial estate under the supervision of the Industrial Estate Authority of Thailand, or has engaged in specific business in connection with which the specific laws allows such company to own land, i.e. petroleum concession business. To allow the Group to have flexibility to engage in (though the Group presently does not have any plan or intention to do so) businesses which foreign companies in Thailand are prohibited or restricted from engaging in, the Directors decide to keep Global Property as a Thai national company through the Aja-Art Rich Arrangements and therefore, the Aja-Art Rich Arrangements will continue after the Listing.

The Group implements a "365-day open door policy" for purchases of dried cassava chips at warehouses with payment generally within the next two business days as long as the product quality fulfils the Group's requirements. This is seen as a major barrier for new entrants as making such a commitment not only requires adequate working capital but also the necessary infrastructure, such as the warehousing and port-loading facilities, and an established sales network.

In addition to the sourcing of dried cassava chips, the Group also sources fresh cassava roots from growers. Processing and drying of fresh cassava roots into dried cassava chips are currently carried out by a processor, an Independent Third Party, engaged exclusively by the Group for a term of 30 years commencing from 16 January 2007 in a drying yard in Khlong Lan, Thailand, with a site area of approximately 79,816m<sup>2</sup> as stated on the document issued by the Local Administrator of Tumbol Klong Naam-lai.

The dried cassava chips sourced and processed by the Group are usually stored in the Group's warehouses located in Bangsai, Sriracha and Bangpakong in Thailand before shipment. The Group's storage facilities are conveniently located in the vicinity of the port facilities where export of dried cassava chips can be easily handled. The Group's warehouse facilities in Bangsai, Ayutthaya, Thailand, have a gross floor area of approximately 5,217m<sup>2</sup> and can store up to 18,000 tonnes of dried cassava chips. Under the lease of its warehouse in Bangsai, the Group also has the priority right of renting other warehouses within the same location rented by the sub-lessor (subject to the first right to rent by the sub-lessor and its affiliated companies), which altogether has an additional gross floor area of approximately 16,940m<sup>2</sup> and can store up to 67,000 tonnes of dried cassava chips. The warehouses are strategically located near Chao Phaya River.

The Group's warehouse facilities in Sriracha, Chonburi, Thailand can store up to 80,000 tonnes of dried cassava chips and have a gross floor area of approximately 10,300m<sup>2</sup>. The facilities in Sriracha are equipped with a conveyor belt which may link directly between the warehouses and dry bulk vessels, which, to the best knowledge of the

## SUMMARY

Directors, is known to be the only conveyor belt in Thailand for loading dried cassava chips directly from a warehouse to an ocean vessel. Once a vessel is docked at the end of the 3 kilometres long conveyor belt, dried cassava chips can be loaded directly from the warehouses to the vessel. The conveyor belt loading can be carried out simultaneously with the loading from lighters. This loading method shortens the lead time for cargo-readiness and is regarded by the Directors as time-efficient and cost-effective for loading dried cassava chips onto dry bulk vessels.

The Group's warehouse facilities in Bangpakong, Thailand with a gross floor area of approximately 2,640m<sup>2</sup> allow the Group to store up to 7,500 tonnes of dried cassava chips. Bangpakong is located to the north of Sriracha and is near the Bangpakong River.

Since it is impracticable for large dry bulk vessels to travel along Chao Phaya River, lighters are commonly used for transporting large quantities of dried cassava chips directly from the warehouse to the dry bulk vessels. The vicinity of its warehouses to the port facilities allows the Group to shorten the lead time for cargo readiness of its products. For example, it would take about three days for the Group to deliver up to about 40,000 tonnes of dried cassava chips from its various warehouses to a dry bulk vessels berthed at the port near Sriracha and to load the lighters with dried cassava chips from all the Group's warehouses where the lighters would transport the goods to the ports and load the goods onto the dry bulk vessel. This flexibility in logistics allows the Group to negotiate favourable shipping rates with vessel operators as it reduces the number of days at dock.

Efficient logistics is crucial to the supply chain of the Group. The Group transports its products primarily by dry bulk vessels. The Group has maintained business relationships with over 80 dry bulk vessel operators with capacities ranging from approximately 5,000 tonnes to 50,000 tonnes. These dry bulk vessel operators usually enter into voyage charters with the Group. Since the Group has an established sales network in the PRC, the Group has flexible shipping arrangements in terms of volume shipped. The Group is able to match its orders on hand with the individual capacity of the dry bulk vessels.

Since according to 《可再生能源中長期發展規劃》 (The Mid and Long-Term Development Plan For Renewable Energy) as announced by the NDRC, the production capacity of ethanol fuel projects with grain feedstock as raw material will not be increased in the PRC, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will in the long run lead to an increase in the demand for imported dried cassava chips in the PRC. The Group's average selling price of dried cassava chips has increased by approximately 72.7%, or approximately HK\$710 per tonne, from approximately HK\$976 per tonne to approximately HK\$1,686 per tonne during the Track Record Period, though seeing a downward trend recently. The Group had maintained a leading position as the largest exporter of dried cassava chips in Thailand and the largest supplier of dried cassava chips imported from Thailand to the PRC from 2003 to 2007 by export volume based on the annual reports of TTTA.

## SUMMARY

The customers of the Group include trading companies, manufacturers of consumable ethanol, ethanol fuel and chemical industries. Some of the Group's customers have had business relationships with the Group for over five years. The top five largest customers of the Group for the Track Record Period have maintained business relationship with the Group for a range of two to seven years. The Group has maintained business relationship with Henan Tianguan since 2001, a subsidiary of which is an authorised ethanol fuel producer in the PRC. The Group had supplied cassava chips to Henan Tianguan in calendar years of 2001, 2002, 2003, 2004, 2007 and 2008. However, the Group did not record any sales to Henan Tianguan in its financial statements for each of the two financial years ended 31 March 2007 because Henan Tianguan was able to use raw materials of old grain (陳化糧) in the PRC auctioned by the PRC government for the production of ethanol fuel by its subsidiary during the period. Henan Tianguan was one of the top five customers of the Group for the financial year ended 31 March 2008 and was the seventh largest customer of the Group for the five months ended 31 August 2008. In view of the Renewable Energy Plan and the anticipated demand for ethanol fuel in the PRC, the Directors are of the view that the Group is in a position to tap into these market opportunities.

The Group has five offices or liaison centres in various cities in the PRC, namely Rizhao, Qingdao, Jinan, Lianyungang and Shenzhen. In order to serve its customers in the eastern and north-eastern China, the Group ships its dried cassava chips from Thailand to ports in China which are equipped with facilities for the unloading of bulk goods, such as dried cassava chips, including Rizhao, Lianyungang and Lanshan.

The Group's net profit had grown significantly during the three financial years ended 31 March 2008 and its revenues for the three financial years ended 31 March 2008 grew at CAGR of approximately 10.4% from approximately HK\$740.9 million for the financial year ended 31 March 2006 to approximately HK\$903.6 million for the financial year ended 31 March 2008. The net profit for each of the three financial years ended 31 March 2008 were approximately HK\$15.3 million, HK\$34.1 million, and HK\$101.9 million respectively.

Revenue of the Group increased by approximately HK\$60.8 million, or approximately 22.2%, from approximately HK\$273.7 million for the five months ended 31 August 2007 to approximately HK\$334.5 million for the five months ended 31 August 2008. Net profit of the Group decreased by approximately HK\$22.9 million, from approximately HK\$27.7 million in the five months ended 31 August 2007 to approximately HK\$4.8 million in the five months ended 31 August 2008. The decline was mainly attributable to (i) losses of non-cassava nature for the five months ended 31 August 2008, including in particular the fair value loss on investment properties of approximately HK\$8.7 million, deficit on revaluation of property, plant and equipment of approximately HK\$0.5 million for the five months ended 31 August 2008 due to general decline in the property market in Hong Kong in the PRC; (ii) gain on disposal of unlisted available-for-sale investment of approximately HK\$16.2 million for the five months ended 31 August 2007; and (iii) the tax effect of items (i) and (ii) above.

## SUMMARY

### COMPETITIVE STRENGTHS

The Directors believe the Group's success can be attributed to the following key strengths:

#### **Extensive procurement network and stable supply**

The Group sources its products from an extensive network of over 200 growers, processors and cassava traders mainly in Thailand. The Group has business relationships of over five years with its key suppliers. The Group has a long-term supply contract for a term of four years commencing from April 2007 with its largest supplier, pursuant to which the largest supplier agreed to supply a minimum quantity of 100,000 tonnes of dried cassava chips for each of the four years ending 31 March 2011 respectively. The Group has also entered into an exclusive long-term supply contract for a term of over five years with a supplier in Laos, pursuant to which the supplier agreed to supply to the Group, and the Group agreed to purchase from the supplier a minimum quantity of 100,000, 120,000, 150,000, 200,000 and 250,000 tonnes of dried cassava chips for each of the five years ending 31 December 2013. Such an extensive procurement network and the above mentioned long-term supply contracts ensure the Group's access to a steady supply of cassava chips. The Group has not commenced purchases from this cassava supplier in Laos as at the Latest Practicable Date.

#### **Strategic location of storage facilities in Thailand**

The Group's storage facilities in Bangsai, Sriracha and Bangpakong are conveniently located in the vicinity of the port facilities where export of dried cassava chips can be easily handled. Details of the leases entered into by the Group in respect of these facilities are more particularly referred to in the paragraph headed "Transportation and logistics" in the section headed "Business" in this prospectus. The Group has occupied these storage facilities in Bangsai, Sriracha and Bangpakong since 2001, 2003 and 2007 respectively. Further, the Group has access to ports, loading facilities and equipments, including the conveyor belt in Sriracha which facilitates the loading of large quantity of about 7,600 tonnes cassava chips per day directly onto the dry bulk vessels. The vicinity of its warehouses to the port facilities allows the Group to shorten the lead time for cargo readiness of its products. For example, it would take about three days for the Group to deliver up to about 40,000 tonnes of dried cassava chips from its various warehouses to a dry bulk vessel berthed at the port near Sriracha and to load the lighters with dried cassava chips from all the Group's warehouses where the lighters would transport the goods to the ports and load the goods onto the dry bulk vessel. This reduces the number of days at dock of the dry bulk vessels, and provides the Group with flexibility to negotiate for a preferential shipping rate.

## SUMMARY

### **Established customer base**

The Group has established business relationships with its top five largest customers for the three years and five months ended 31 August 2008 from two to seven years. The Group has established business relationship with Henan Tianguan, an Independent Third Party and one of the five largest customers of the Group in the financial year ended 31 March 2008 and was the seventh largest customer of the Group for the five months ended 31 August 2008. A subsidiary of Henan Tianguan is one of the four authorised ethanol fuel producers in the PRC. The Group also has established a distribution network in the PRC with a customer base of over 40 in the PRC, including trading companies, manufacturers of consumable ethanol, ethanol fuel and chemical products. The Group believes that its ability to maintain a diversified customer base is mainly attributable to the quality of its products, its market position, and its professional management.

### **Effective supply chain**

The Group has an experienced logistics management team and the majority of the team members have over 10 years of relevant experience. The Group has built up business relationships with over 80 dry bulk vessel operators. Given that the Group was the largest exporter of dried cassava chips in Thailand from 2003 to 2007 based on the annual reports of the TTTA, its network of vessels operators provided the Group with the flexibility to select vessels having capacities ranging from 5,000 tonnes to 50,000 tonnes to meet the delivery requirements of its clients.

### **Progression into upstream supply chain**

The Group started to source fresh cassava roots in January 2008, subsequent to its gain of effective control over Global Property through the GP Arrangements in November 2007. These fresh cassava roots are supplied to a processor engaged by the Group for a term of 30 years commencing from 16 January 2007 for processing and drying. Processed dried cassava chips are stored in the Group's warehouses. The Group believes its progression into upstream supply chain that combines cassava chips and roots sourcing, processing and delivery logistics in one single operational platform will enhance its operating efficiencies.

### **Quality control and well-recognised brand name**

The Group's quality control of its product has earned recognition among its customers. The "Artwell" brand dried cassava chips sold by the Group generally contains a starch content of 67% or above, which is higher than the Standard of Cassava Product of 65% prescribed by the Ministry of Commerce of Thailand.

Apart from its in-house quality control laboratory for monitoring the quality of its cassava chips, the Group and its customers also hire independent surveyors to examine the quality of dried cassava chips and issue certificate of quality. The Group believes that its quality control measures would enable the Group to expand its sales network further.

## SUMMARY

### **Experienced and dedicated management team**

The long-term commitment of the Group's senior management and operating team to its business has helped them obtain in-depth knowledge of the relevant industries and enabled them to respond to various challenges in the ever-changing market. The Group's senior management team built up its corporate culture to emphasise high quality and positioned themselves as a provider of high quality dried cassava chips.

### **Bargaining Leverage**

The Group was the largest exporter of dried cassava chips in Thailand and the largest supplier of dried cassava chips imported from Thailand to the PRC from 2003 to 2007 based on the annual reports of TTTA. The Group's dominant position in the Thai market gives it leverage in setting the pricing of dried cassava chips that it sources in Thailand.

### **FUTURE PLANS AND PROSPECTS**

There is a range of applications with the use of dried cassava chips in the PRC, such as consumable ethanol, chemical products, animal feeds and, in particular, ethanol fuel. Since according to the Renewable Energy Plan, the production capacity of ethanol fuel projects using grain feedstock as raw material will not be increased in the PRC, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will lead to increase in the demand for imported dried cassava chips in the PRC. According to the Renewable Energy Plan, the targets are to increase the production of ethanol fuel by non-grain feedstock to 2 million tonnes by 2010 and to 10 million tonnes by 2020. The Directors are optimistic about the future market demand for dried cassava chips in the PRC. At present, the Group mainly sources its dried cassava chips from Thailand and intends to expand its procurement network in Thailand as well as other countries in Southeast Asia. The Directors intend to enhance the Group's upstream business operations by expanding its processing and storage capability. The Group also intends to expand its sales network in the PRC.

In order to achieve its business objective, the Group will dedicate more resources to strengthen its processing operation, procurement network and expand its sales network in the PRC. In view of the above, the Group has formulated a series of development plans as set out below.

### **Expansion of warehousing facilities and drying yards in Thailand**

At present, the Group's principal procurement network is located in Thailand. The Group intends to further enhance and expand its procurement network geographically in Thailand. The Group currently has leased warehouses in Bangsai, Sriracha and Bangpakong, Thailand. It has entered into long-term processing arrangement with a drying yard operator in Thailand. The Group intends to expand its upstream operations by establishing additional warehousing facilities (including the necessary purchase of machinery, scale and setting up laboratory and offices). It also intends to acquire or lease drying yards in non-forestry area where ownership of land is permitted (including the necessary construction work, purchase of trucks and setting up offices) for processing

## SUMMARY

fresh cassava roots into dried cassava chips in Thailand. The Group expects that the geographical expansion of storage facilities will be able to cope with the increase in purchase of both fresh cassava roots and dried cassava chips not only from its existing procurement network but also from new sources of cassava supplies in Thailand. The Group also expects that the acquisition or leasing of drying yard will enhance the Group's upstream operation of processing fresh cassava roots. The Directors believe that such expansion could enhance the Group's overall procurement capabilities in Thailand.

Depending on market opportunities, the Group intends to lease warehousing facilities and/or acquire or lease drying yards that will enable the Group to strengthen its competitiveness in the cassava industry. In respect of the intended acquisition of land, the Group will undergo all the necessary approval procedures in Thailand. In the event that the Group fails to acquire land in Thailand, the Group considers to lease land for the same purpose. As at the Latest Practicable Date, the Group had not entered into any letter of intent or agreement for such leasing or acquisition nor identified any definite target for expansion purpose. The Group will make proper disclosure and/or obtain proper approval in compliance with the Listing Rules whenever the relevant opportunity crystallises.

### **Expansion of procurement networks and logistics in Southeast Asia**

According to the Cassava Market Report, in 2007, Thailand was the largest source of import of dried cassava in China, accounting for approximately 69.3% of the total quantity of dried cassava imported into China. Vietnam was the second largest source of import accounting for approximately 27.6% of total quantity of dried cassava imported into China. In order to cater for the expected increase in demand for dried cassava chips in the PRC in the long run, the Group intends to develop a well-established procurement network and efficient logistics arrangements. The Group intends to expand its procurement network beyond Thailand in Southeast Asia, including but not limited to Cambodia and Laos. In respect of logistics arrangement, the Group intends to lease additional storage facilities in different locations and set up transportation fleet to expand its procurement networks. Currently, the Group's suppliers directly transport the dried cassava chips to the Group's warehousing facilities. After setting up its own transportation fleet, the Group will be able to further improve its logistics efficiency.

### **Strategic development of sales network and coverage**

Currently, most of the Group's customers are in the mid-eastern part of China. An extensive sales network is very important for the Group's business. In view of this, the Group intends to expand its sales network by establishing offices, storage facilities and increasing promotion and marketing of "Artwell" brand dried cassava chips in the southern, central and south western regions in the PRC by setting up offices in, but not limited to, Guangxi and other nearby provinces.

The Group has leased an office in Shenzhen. The Group intends to expand its sales network in the nearby regions by setting up more offices in the southern part of China. There are ports in southern China which can handle dry bulk cargoes. Shipping directly to these ports in China could meet the customers' urgent demand and save time and costs on transportation for customers in the region.

## SUMMARY

The Group has not commenced domestic wholesale distribution of dried cassava chips in the PRC. The storage facilities would enable the Group to expand into domestic wholesale distribution business in the PRC and to reach customers whose business locations are away from the seaports or the coastal area in the PRC. The Group also intends to develop and enhance its existing sales network in the north-eastern region (including its offices in Qingdao, Jinan, Rizhao and Lianyungang) in the PRC through promotion and marketing activities on its “Artwell” brand. The Group also intends to set up offices in Zhenjiang and Taizhou.

### **Increase in working capital**

Under the existing inventory purchase model, as the Group implements a “365-day open door policy” for purchase of dried cassava chips with payment generally within the next two business days, the Group’s business operations require sufficient level of working capital. In view of the Group’s expansion in its procurement capabilities, it is expected that the Group will increase its procurement quantities and further working capital is required to complement the Group’s expansion and maintain its business operations.

### **USE OF PROCEEDS**

Based on an Offer Price of HK\$1.53 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$2.04 per Offer Share and HK\$1.02 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$114.8 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$105.8 million. At present, the Directors intend to apply the net proceeds of approximately HK\$105.8 million to the following purposes:

- approximately HK\$62.5 million or 59% for the establishment of warehousing facilities and acquisition or leasing of drying yards in Thailand, of which one warehousing facility will be leased and about two drying yards will be acquired or leased in Thailand. The lease of warehousing facilities may include the costs of the initial deposit, loaders, laboratory, scale, office facilities and costs of the initial stock-up, altogether amounted to approximately HK\$5.5 million with a gross floor area of approximately 16,000m<sup>2</sup>. Each of the drying yards may include the land cost and/or rental deposits, construction cost, trucks, scale, office facilities, storage facilities and initial stock-up, altogether amounted to approximately HK\$28.5 million with an expected gross floor area of approximately 480,000m<sup>2</sup>;
- approximately HK\$22.7 million or 21% for the development of the Group’s procurement networks and logistics systems beyond Thailand in Southeast Asia including but not limited to Cambodia and Laos;

## SUMMARY

- approximately HK\$7.0 million or 7% for the expansion of the Group's sales networks by establishing storage facilities and promotion and marketing of the Group's products in the southern, central and south western regions in the PRC, which the Group intends to apply approximately 80% to build storage facilities and approximately 20% for setting up offices in the regions;
- approximately HK\$3.1 million or 3% for the development and enhancement of sales network and marketing, including promotion and marketing of its Artwell brand dried cassava chips in the Group's existing sales network in the north-eastern region in the PRC, which the Group intends to apply approximately 40% to further enhance the four PRC leased offices with facilities and vehicles and approximately 60% each for the setting up of new offices in the regions and enhance marketing and promotion; and
- the balance of approximately HK\$10.5 million or 10% to be used as additional general working capital of the Group as the Directors consider that the business activities of the Group require relatively a large amount of working capital.

The amount of net proceeds used for each usage in establishing warehousing facilities and acquisition or leasing of drying yards are based on internal budget with reference to past experience and the available market intelligence about the capital expenditures required in similar projects. In the event of any possible impact on the Group's capital expenditure which may result from the recent economic slowdown, the Directors will consider, where appropriate, to adjust the Group's capital expenditure in response to market conditions.

As at the Latest Practicable Date, regarding the use of proceeds of the Share Offer in the PRC, the Group has not received consents to remit proceeds from the Share Offer into the PRC. The Group has not yet filed an application to the relevant PRC authorities seeking consents and/or approval on the remittance of net proceeds from the Share Offer into the PRC because based on their past experience, the Directors believe that the procedures for obtaining such approval are routine and the time involved is not unreasonably lengthy to affect the Group's future business plans in the PRC. However, when the Group applies the net proceeds into the PRC in accordance with its intended use as stated above, the Group intends to remit such proceeds from the Share Offer into the PRC by way of new capital injection into and/or loans advanced to existing or newly established PRC companies of the Group in accordance with the relevant laws and regulations in the PRC.

The Group has not entered into any letter of intent or agreement for such leasing or acquisition nor identified any definite target for expansion purpose. In the event that the Offer Price is fixed at HK\$2.04 per Offer Share, being the highest end of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised at all, the net proceeds will be increased by approximately HK\$37.3 million to approximately HK\$143.1 million. The Directors intend to apply approximately 50% of the additional amount for the lease of warehousing facilities and acquisition or leasing of drying yards in

## SUMMARY

Thailand, approximately 40% of such amount for the development of the Group's procurement network and logistics systems within Southeast Asia and the remaining approximately 10% of such amount as the additional general working capital of the Group. In the event that the Offer Price is fixed at HK\$1.02 per Offer Share, being the lower end of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised at all, the net proceeds will be reduced by approximately HK\$37.3 million to approximately HK\$68.5 million. In such circumstances, the Directors intend to reduce approximately 50% of the reduced amount for the lease of warehousing facilities and acquisition or leasing of drying yards in Thailand, approximately 40% of such amount for the development of the Group's procurement network and logistics systems within Southeast Asia and the remaining approximately 10% of such amount for the general working capital of the Group.

If the Over-allotment Option is exercised in full, based on an Offer Price of HK\$1.53 per Offer Share (being the mid-point of the indicative Offer Price range of between HK\$2.04 per Offer Share and HK\$1.02 per Offer Share), the net proceeds will be increased by approximately HK\$16.8 million (the "Additional Proceeds"). The Directors intend to apply approximately 50% of the Additional Proceeds for the lease of warehousing facilities and acquisition or leasing of drying yards in Thailand, approximately 40% of the Additional Proceeds for the development of the Group's procurement networks and logistics systems within Southeast Asia, and the remaining approximately 10% of the Additional Proceeds as additional general working capital of the Group. The Directors intend to apply the proceeds in the same percentage for both the higher and lower end of the indicative Offer Price range. If the Over-allotment Option is exercised in full, based on an Offer Price of HK\$2.04 and HK\$1.02 per Offer Share, the net proceeds will be increased by approximately HK\$22.4 million and HK\$11.2 million respectively. The Directors intend to apply the respective additional proceeds in the same proportion as described above.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with licensed banks and/or financial institutions in Hong Kong, Thailand or the PRC.

## SUMMARY

### TRADING RECORD

The following table is a summary of the combined results of the Group for each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, prepared on the basis that the current structure of the Group was in existence throughout the period under review. The summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Year ended 31 March			Five months ended 31 August	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (unaudited)	2008 HK\$'000
REVENUE	740,850	818,303	903,560	273,724	334,507
Cost of sales	<u>(573,484)</u>	<u>(619,839)</u>	<u>(665,159)</u>	<u>(205,971)</u>	<u>(260,442)</u>
Gross profit	167,366	198,464	238,401	67,753	74,065
Other income and gains	3,063	10,907	25,109	19,770	716
Fair value gain/(loss) on investment properties	1,060	3,351	9,070	600	(8,749)
Deficit on revaluation of property, plant and equipment	-	-	-	-	(459)
Selling and distribution costs	(118,140)	(138,782)	(124,529)	(42,754)	(45,960)
Administrative expenses	(12,842)	(14,791)	(16,993)	(5,378)	(6,216)
Finance costs	<u>(15,218)</u>	<u>(15,004)</u>	<u>(14,984)</u>	<u>(5,660)</u>	<u>(6,125)</u>
PROFIT BEFORE TAX	25,289	44,145	116,074	34,331	7,272
Tax	<u>(10,008)</u>	<u>(10,075)</u>	<u>(14,215)</u>	<u>(6,604)</u>	<u>(2,456)</u>
PROFIT FOR THE YEAR/PERIOD	<u>15,281</u>	<u>34,070</u>	<u>101,859</u>	<u>27,727</u>	<u>4,816</u>
DIVIDENDS	<u>-</u>	<u>22,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
- Basic (HK cents)	<u>6.79</u>	<u>15.14</u>	<u>45.27</u>	<u>12.32</u>	<u>2.14</u>
- Diluted (HK cents)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## SUMMARY

### Application for the Offer Shares

The application for the Offer Shares will commence on Thursday, 26 February 2009 up to Friday, 13 March 2009 for fourteen calendar days (excluding Sundays), being longer than normal market practice of about four Business Days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 20 March 2009. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 23 March 2009.

### STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of	
	HK\$1.02 per Offer Share	HK\$2.04 per Offer Share
Expected market capitalisation ( <i>Note 1</i> )	HK\$306 million	HK\$612 million
Historical price-to-earnings multiple ( <i>Note 2</i> )	3 times	6 times
Pro forma adjusted net tangible assets value per Share ( <i>Note 3</i> )	HK\$0.50	HK\$0.75

*Notes:*

1. The calculation of expected market capitalisation is based on 300,000,000 Shares expected to be in issue immediately after completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed "Written resolutions of the sole Shareholder" in Appendix V to this prospectus.
2. The historical price-to-earnings multiple is based on the profit attributable to the Company's equity holders of approximately HK\$101.9 million for the financial year ended 31 March 2008, the Offer Price of HK\$1.02 per Offer Share and HK\$2.04 per Offer Share respectively and on the basis of 300,000,000 Shares assumed to be in issue throughout the year.
3. The pro forma adjusted net tangible asset value per Share as at 31 August 2008 has been arrived at after making the adjustments set out under the paragraph headed "Pro forma adjusted net tangible assets" in the section headed "Financial information" in this prospectus and on the basis of a total of 300,000,000 Shares in issue and to be issued as mentioned herein.

### RISK FACTORS

The Group's operations are subject to a number of risks, a detailed discussion of which is set out in the section headed "Risk factors" in this prospectus. These risks can be broadly classified into:

- Risks relating to the Group's operations;
- Risks relating to the Group's industry;

## SUMMARY

- Risks relating to conducting business in the PRC;
- Risks relating to conducting business in Thailand;
- Risks relating to conducting business in Cambodia; and
- Risks relating to the Share Offer.

Set out below is a list of risks referred to above.

### **Risks relating to the Group's operations**

- The acquisition of drying yards as one of the Group's future plans may or may not be implemented
- The Group sells one single product. Sudden decrease in market demand and/or the availability of substitute of cassava found for the Group's dried cassava chips would adversely affect the Group's business
- Reliance on major customers in the PRC
- Reliance on key suppliers in Thailand
- The Group increases its level of inventory towards the end of the harvest season in order to keep adequate level of inventory for sales during the non-harvest season. Sudden decrease in demand for the Group's dried cassava chips may lead to slow-moving of inventories
- The Group relies on the dry bulk vessels for shipping its product to the PRC. If it cannot arrange shipment for delivery of its product as scheduled, the Group's business would be adversely affected
- The Group's business, financial condition and operating results may be adversely affected by the volatility of prices of dried cassava chips and the interruption of supply or shortage of cassava chips
- Escalating oil price will increase the costs of transportation
- The Group may not be able to sustain its revenue and net profit levels and/or implement its expansion plan successfully
- If the Group is unable to secure the supply of cassava in the next harvest season, the Group's profitability for the second half of its financial year will be adversely affected
- Demand from customers may be affected by the recent economic tsunami and credit tightening

## SUMMARY

- There is no assurance that the Alush Arrangements, the GP Arrangements or Aja-Art Rich Arrangements will be in compliance with Thai laws in the future
- The Aja-Art Rich Arrangements may not be as effective in providing control as direct ownership
- The Group's operations are working capital intensive, and failure to maintain sufficient working capital may have an adverse impact on its business
- Direct sales
- Leasing of warehouses
- Leasing of offices in the PRC
- Transfer pricing risk in international trade
- Net current liabilities position and net cash outflow from operating activities
- The Group's reputation and business operation may be affected by defective cassava chips
- Loss of any of the Group's key personnel will adversely impact its business and growth prospects
- Historical dividends should not be used as an indication for the Group's future dividend policy
- Incomplete assignment and registration of trademarks

### **Risks relating to the Group's industry**

- Supply of agricultural products are susceptible to weather conditions and natural disasters
- The Group operates in a competitive industry
- Perishable nature of fresh cassava and harvest seasonality
- Insufficient international commodity market for dried cassava chip futures
- Potential risks of sea transportation of dried cassava chips from Thailand to the PRC
- Environmental standards established by other countries
- Changes in relationship between the PRC and countries where the Group's major foreign trade partners are located

## SUMMARY

- Changes in government regulations, including quality standards, licensing requirements, government charges and taxes applicable to the cassava industry may adversely affect the industry players
- Demand for ethanol fuel may be affected by the price of oil or petroleum-based fuels
- Demand for ethanol fuel in some provinces in the PRC may not grow as expected

### **Risks relating to conducting business in the PRC**

- Economic, social and political considerations
- The PRC legal system
- Currency conversions and fluctuations

### **Risks relating to conducting business in Thailand**

- Economic, social and political considerations
- The Group's business may be affected by political or social instability in Thailand
- Currency conversion and foreign exchange control

### **Risks relating to conducting business in Cambodia**

- Economic, social and political considerations
- Currency conversion and foreign exchange control

### **Risks relating to the Share Offer**

- Liquidity and possible price volatility of the Shares
- Accuracy of official government statistics contained in this prospectus with respect to the PRC and Thailand, their respective economy
- Issue of new Shares under the Share Option Schemes will have a dilution effect and may affect the Group's profitability
- Risks associated with forward-looking statements

Please refer to the section headed "Risk factors" of this prospectus for details.

## SUMMARY

### MATERIAL ADVERSE CHANGE

The profit of the Group for the period ended 31 August 2007 and 2008 amounted to approximately HK\$27.7 million and approximately HK\$4.8 million respectively, representing a drop of approximately 82.7% or approximately HK\$22.9 million. The decline was mainly attributable to losses of non-cassava nature for the five months ended 31 August 2008, including in particular the fair value loss on investment properties in Hong Kong and in the PRC of approximately HK\$8.7 million and, deficit on revaluation of property, plant and equipment of approximately HK\$0.5 million for the five months ended 31 August 2008 due to general decline in the property market in Hong Kong and in the PRC and, the gain on disposal of unlisted available-for-sale investment of approximately HK\$16.2 million for the five months ended 31 August 2007 .

Revenue of the Group increased by approximately HK\$60.8 million, or approximately 22.2%, from approximately HK\$273.7 million for the five months ended 31 August 2007 to approximately HK\$334.5 million for the five months ended 31 August 2008. This was a net effect of a decrease in the quantity of dried cassava chips sold by approximately 18.3% and an increase in the average selling price by approximately 49.5% during the period.

The quantity of dried cassava chips sold by the Group for the period ended 31 August 2008 amounted to approximately 198,380 tonnes, which represented a drop of approximately 18.3% as compared with the quantity sold of 242,764 tonnes for the period ended 31 August 2007.

The average selling price of dried cassava chips for the five months ended 31 August 2008 was approximately HK\$1,686 per tonne, which represents a rise of approximately 49.5% as compared with the average selling price of approximately HK\$1,128 per tonne for the five months ended 31 August 2007. The monthly average selling price of dried cassava chips decreased from approximately HK\$1,641 per tonne in August 2008 to approximately HK\$986 per tonne in January 2009. The second half of 2008 saw the financial tsunami and a general trend of decline in prices of crude oil and denatured fuel ethanol. It is not unlikely that the selling prices of dried cassava chips will continue to be subject to turbulent fluctuation, which may affect the Group's financial performance. With a deteriorating global economy, general overall business activities may continue to slow down. Therefore, the demand for dried cassava chips in the PRC may have decreased which may have an impact on the Company's business performance. Furthermore, in light of the riots in Thailand in 2008, the Group's business may be adversely affected if political tension escalates and causes destructive harm in Thailand. However, the recent political events in Thailand have not caused any direct material obstacle in the daily operation (including sourcing and sales of dried cassava chips) of the Group up to the Latest Practical Date.

The Directors confirm that save as disclosed above, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2008 (being the date to which the latest audited combined financial statements of the Group were made up).

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Aja-Art Rich Arrangements”	the loan agreement and share pledge agreement entered into between Art Rich and Mr. Aja and the letter of undertaking and proxy provided by Mr. Aja in favour of Art Rich pursuant to the loan agreement made in March 2008, which enables Art Rich to be beneficially interested and effectively control approximately 51% of the issued shares in Global Property registered in Mr. Aja’s name, particulars of which are set out in the paragraph headed “Thai arrangements” under the section headed “History and development” of this prospectus
“All High”	All High Holdings Limited, a company incorporated in BVI on 6 February 2008, the entire issued share capital of which is directly and wholly owned by Alternative View
“Alternative View”	Alternative View Investments Limited, a company incorporated in the BVI on 18 August 1999 and a direct and wholly owned subsidiary of the Company
“Alush Arrangements”	certain loan agreements, share pledge agreements entered into between Mr. Chu and the respective Alush Shareholders and the letters of undertaking and proxies provided by the Alush Shareholders in favour of Mr. Chu pursuant to the loan agreements made on various dates since the incorporation of Alush Thailand and immediately prior to the acquisition of Alush Thailand by the Group pursuant to the Reorganisation, which, together with the shareholding of Mr. Chu enabled Mr. Chu to be beneficially interested in and effectively control more than 99% of the issued shares in Alush Thailand registered in the Alush Shareholders’ names respectively, particulars of which are set out in the paragraph headed “Thai arrangements” under the section headed “History and development” of this prospectus

## DEFINITIONS

“Alush Shareholders”	Ms. Liu, Mr. MK Chu, Bangsai Grain Co., Ltd. (an Independent Third Party) and Mr. Jirasak Chuenchujitaratkun (an Independent Third Party), the previous registered shareholders of Alush Thailand, each of whom had entered into the Alush Arrangements with Mr. Chu on various dates since the incorporation of Alush Thailand and prior to the Reorganisation
“Alush Thailand”	Alush (Thailand) Co. Ltd., a company incorporated in Thailand with limited liability on 3 January 2001 and a wholly owned subsidiary of the Company
“Application Form(s)”	<b>WHITE</b> application form(s) and <b>YELLOW</b> application form(s), or where the context so requires, any of them, which is used in relation to the Public Offer
“AR Management”	Art Rich Management Limited, a company incorporated in BVI on 10 April 2008 with limited liability, the entire issued share capital of which is owned as to 97% by Mr. Chu and as to 3% by Mrs. Chu, and AR Management is a Controlling Shareholder
“Art Ocean”	Art Ocean Development Limited, a company incorporated in BVI on 5 February 2008, the entire issued share capital of which is directly and wholly owned by Alternative View
“Art Rich”	Art Rich International Limited, a company incorporated in BVI on 11 January 2008, the entire issued share capital of which is directly and wholly owned by Alternative View
“Articles”	the articles of association adopted by the Company pursuant to the written resolutions passed by the sole Shareholder on 18 February 2009
“Artsun Macao”	Artsun International Macao Limited, a company registered under the laws of Macau as an offshore company on 28 April 2006, the entire registered capital of which is directly and wholly owned by Alternative View
“Artwell Cambodia”	Artwell Group (Cambodia) Ltd., a company incorporated in Cambodia on 28 March 2008, the entire issued share capital of which is directly and wholly owned by Art Rich

## DEFINITIONS

“Artwell Cotton”	Artwell Cotton Limited, a company incorporated in Hong Kong with limited liability on 18 March 2004, the entire issued share capital of which is directly and wholly owned by Exquisite Gold
“Artwell Enterprises”	Artwell Enterprises Limited, a company incorporated in Hong Kong with limited liability on 26 July 1983, the entire issued share capital of which is directly and wholly owned by Alternative View
“Artwell Property”	Art Well Properties Limited, a company incorporated in Hong Kong on 3 September 2004, the entire issued share of which is directly and wholly owned by Alternative View
“Artwell Tapioca”	Artwell Tapioca Limited, a company incorporated in Hong Kong with limited liability on 18 March 2004, the entire issued share capital of which is directly and wholly owned by Artwell Enterprises
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cambodia”	the Kingdom of Cambodia
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company referred to in the paragraph headed “Written resolutions of the sole Shareholder” in Appendix V to this prospectus
“Cassava Market Report”	中國木薯市場分析報告 (Report on the Cassava Market in China) prepared by 北京世經未來投資諮詢有限公司 (Beijing Wefore Investment Consulting Co., Ltd)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

## DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Asia Cassava Resources Holdings Limited, an exempted company incorporated in the Cayman Islands on 8 May 2008 under the Companies Law with limited liability
“Controlling Shareholder(s)”	has/have the meaning ascribed to it under the Listing Rules and in the context of the Company, means AR Management and/or Mr. Chu
“Director(s)”	director(s) of the Company
“Electronic Application Instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Exquisite Gold”	Exquisite Gold Limited, a company incorporated in BVI with limited liability on 2 February 1999, the entire issued share capital of which is owned by Mr. Chu
“FAO”	the Food and Agriculture Organization of the United Nations
“Fine Success”	Fine Success Enterprise Limited, a company incorporated in Hong Kong with limited liability on 17 September 2004, the entire issued share capital of which is directly and wholly owned by Alternative View

## DEFINITIONS

“Foreign Business Act”	The Foreign Business Act A.D. 1999 of Thailand
“Global Property”	Global Property Connection Co., Ltd., a company incorporated in Thailand with limited liability on 16 January 2007 and a subsidiary of the Company, of which 49% of its shareholding is owned by the Company and 51% of its shareholding is controlled by the Company through the Aja-Art Rich Arrangements
“GP Arrangements”	certain loan agreements, share pledge agreements entered into between Mr. Chu and the respective GP Shareholders and the letters of undertaking and proxies provided by the GP Shareholders in favour of Mr. Chu pursuant to the loan agreements made in November 2007, which enabled Mr. Chu to be beneficially interested and effectively control 99.95% of the issued shares in Global Property registered in the GP Shareholders’ name respectively, particulars of which are set out in the paragraph headed “Thai Arrangements” under the section headed “History and development” of this prospectus
“GP Shareholders”	Mr. Su and Mr. Aja, who are, respectively, the previous and the current registered shareholders of Global Property, each of whom had entered into the GP Arrangements with Mr. Chu in November 2007 and prior to the Reorganisation
“Group”	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Henan Tianguan”	河南天冠企業集團有限公司(Henan Tianguan Enterprise Group Co. Ltd.), a customer of the Group and an Independent Third Party

## DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any member of the Group, the Directors, the chief executives and the Substantial Shareholders and its subsidiaries and their respective associates
“Indonesia”	the Republic of Indonesia
“Laos”	the Lao People’s Democratic Republic
“Latest Practicable Date”	18 February 2009, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which the trading of the Shares on Main Board commences
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange, which excludes Growth Enterprise Market of the Stock Exchange and the options market
“MPF Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)
“Mr. Aja”	Mr. Aja Saepaan, a business acquaintance of Mr. Chu, a former director of Global Property, the borrower to the Aja-Art Rich Arrangements, who is the registered shareholder of 51% of equity interest of Global Property

## DEFINITIONS

“Mr. Chu”	Mr. Chu Ming Chuan, the chairman of the Board, an executive Director, a director of various subsidiaries of the Company and a Controlling Shareholder
“Mr. MK Chu”	Mr. Chu Ming Kin, an executive Director, a director of various subsidiaries of the Company, the younger brother of Mr. Chu and one of the Alush Shareholders
“Mr. Su”	Mr. Su Nao Re, a former employee of Alush Thailand and a former director of Global Property
“Mrs. Chu”	Madam Ng Nai Nar, the spouse of Mr. Chu
“Ms. Liu”	Ms. Liu Yuk Ming, an executive Director, a director of various subsidiaries of the Company and one of the Alush Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中國國家發展改革委員會)
“Offer Price”	the final price for each Offer Share (exclusive of brokerage fee, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$2.04 per Offer Share and is expected to be not less than HK\$1.02 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Share Offer
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Other Contracts”	any new structural contractual arrangements which may be entered into and/or renewed and/or cloned in relation to the Aja-Art Rich Arrangements and any other contracts which may be entered into from time to time between the Group and Global Property
“Over-allotment Option”	the option granted by the Company to the Sole Lead Manager and exercisable within 30 days after the date of this prospectus, to require the Company to allot and issue Over-allotment Shares at the Offer Price to cover over-allocations in the Placing and/or to satisfy the obligation of the Sole Lead Manager to return securities borrowed under the Stock Borrowing Agreement

## DEFINITIONS

“Over-allotment Shares”	up to an aggregate of 11,250,000 new Shares to be issued pursuant to the exercise of the Over-allotment Option, representing approximately 15% of the number of Shares initially available under the Share Offer
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriter on behalf of the Company for cash at the Offer Price with professional, institutional and private investors as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 67,500,000 Offer Shares initially being offered for subscription under the Placing subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus together with any additional Shares which may be issued by the Company upon the exercise of the Over-allotment Option
“Placing Underwriter”	the underwriter listed in the paragraph headed “Placing Underwriter” under the section headed “Underwriting” in this prospectus, being the underwriter of the Placing
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
“PRC government”	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
“Price Determination Agreement”	the agreement to be entered into between the Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) at or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before 14 March 2009, on which the Offer Price is expected to be fixed for the purposes of the Share Offer and in any event no later than 6:00 p.m. (Hong Kong time) on 18 March 2009

## DEFINITIONS

“Public Offer”	the conditional offer of the Public Offer Shares by the Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the related Application Forms
“Public Offer Shares”	the 7,500,000 Offer Shares initially offered for subscription under the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters listed in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” in this prospectus, being the underwriters of the Public Offer
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing as described under the paragraph headed “Corporate reorganisation” in Appendix V to this prospectus
“Rizhao Yushun”	Rizhao Yushun Cassava Co. Ltd. (日照雨順木薯有限公司), a company established under the laws of the PRC on 19 July 2001, the entire registered and paid up capital of which is legally and beneficially owned by Artwell Enterprises
“SFC”	the Securities and Futures Commission in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 18 February 2009, a summary of principal terms of which is set out under the paragraph headed “Share Option Scheme” in Appendix V to this prospectus

## DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement dated 25 February 2009 entered into between AR Management and the Sole Lead Manager, pursuant to which the Sole Lead Manager may borrow up to 11,250,000 Shares to cover any over-allocation in the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has/have the meaning ascribed thereto under the Listing Rules
“Taifook Capital” or “Sponsor”	Taifook Capital Limited, a licensed corporation under SFO to carry on type 6 (advising on corporate finance) regulated activity, being the sponsor to the Share Offer
“Taifook Securities” or “Sole Lead Manager”	Taifook Securities Company Limited, a licensed corporation under SFO to carry on type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities being the sole lead manager and sole bookrunner to the Share Offer
“Thailand”	the Kingdom of Thailand
“Thai government”	the government of Thailand including all governmental subdivisions (provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
“Track Record Period”	the three financial years ended 31 March 2008 and the five months ended 31 August 2008

## DEFINITIONS

“TTTA”	the Thai Tapioca Trade Association, a cassava trade association established since 1963 in Thailand with over 120 members, the objectives and scopes of TTTA are mainly to (i) promote support and assistance in the trading of cassava products; (ii) carry out research and giving academic advice to farmers, manufacturers or cassava industry for higher productivity and quality; (iii) cooperate with government in promoting the production, industry and trading of Thai cassava; (iv) promote the production of cassava to be sufficient for local and international demands; and (v) act as arbitrator between members or members with other third party in connection with the trading of cassava
“Wide Triumph”	Wide Triumph Investment Limited, a company incorporated in Hong Kong on 3 September 2004, the entire issued share capital of which is directly and wholly owned by Alternative View
“Underwriters”	the Placing Underwriter and the Public Offer Underwriters
“Underwriting Agreement”	the conditional placing and underwriting agreement relating to the Share Offer dated 25 February 2009 and entered into between the Company, AR Management, Mr. Chu, the executive Directors, the Sponsor, Taifook Securities and the Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“UN”	the United Nations
“Vietnam”	the Socialist Republic of Vietnam
“US” or “United States”	the United States of America
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“MOP”	Macau dollars, the lawful currency of Macau
“Riel”	Riels, the lawful currency of Cambodia
“RMB”	Renminbi, the lawful currency of the PRC
“THB”	Baht, the lawful currency of Thailand

## DEFINITIONS

“US\$” or “USD”	United States dollars, the lawful currency of the US
“m <sup>2</sup> ”	square metres
“kg”	kilograms
“%”	per cent

*Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:*

*US\$1 : HK\$7.8*

*THB1 : HK\$0.2219*

*RMB1 : HK\$1.1359*

*Riel 1 : HK\$0.0019*

*MOP1 : HK\$0.9887*

*No representation is made that any amounts in US\$, THB, RMB, Riel, MOP or HK\$ were or could have been converted at the above rate or at any other rates or at all.*

*For ease of reference, the names of certain PRC laws and regulations or the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The English names of these companies and entities are only English translation of their respective official Chinese names. In the event of any inconsistency, the Chinese version shall prevail.*

## GLOSSARY

*This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“cassava”	a tuberous edible plant of the spurge family which is cultivated throughout the tropical world for its tuberous roots, from which cassava flour, breads, a laundry starch, and even an alcoholic beverage are derived
“cassava chips”	chips made from cassava roots which have been chopped into small pieces and sun-dried
“C.N.F.” or “C.F.R.”	cost and freight, a common term used in international sales of goods transactions which means that the seller delivers when the goods pass the ship’s rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer
“direct sales”	sales of the Group’s dried cassava chips that are directly purchased from exporters and delivered to the Group’s customers without being stored at the Group’s leased warehouses in Thailand
“drying yard”	a piece of land for the purpose of sun-drying the cassava roots/chips
“ethanol fuel”	fuel for vehicles which is a mixture of alcohol and gasoline
“F.O.B.”	free on board, a common term used in international sales of goods transactions which means that the seller delivers when the goods pass the ships rail at the named port of shipment. The buyer has to bear all costs and risks of loss of or damage to the goods from that point
“fumigation”	fumigation is a method to use special chemicals, smoke or gas to destroy harmful insects or bacteria in a place
“GAAP”	Generally Accepted Accounting Principles
“lighter”	a boat with a flat bottom used for carrying goods to and from ships

## GLOSSARY

“sales from warehouse”	sales of the Group’s dried cassava chips purchased and stored at its leased warehouses in Thailand before the Group arranges for shipment to different customers
“tonne” or “metric tonne”	a measurement of mass equal to one thousand kilograms
“voyage charter”	under this method a ship is chartered for a one-way voyage between specific ports with a specified cargo at a negotiated rate of freight. On a voyage charter, the owner bears all the express of the voyage (subject to agreement about costs of loading and discharging)

## RISK FACTORS

*Potential investors should carefully consider all information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company.*

### RISKS RELATING TO THE GROUP'S OPERATIONS

#### **The acquisition of drying yards as one of the Group's future plans may or may not be implemented**

As stated in the paragraph headed "Thai Arrangements" under the section headed "History and development" of this prospectus, Alush Thailand is owned as to 99.996% by Art Rich and the remaining 0.004% held equally by each of Alternative View, Artwell Enterprises, Artwell Tapioca, Artsun Macao, Art Ocean and All High, respectively; while Global Property is controlled as to 99.95% by Art Rich, and the remaining 0.05% held equally by each of Alternative View, Artwell Enterprises, Artwell Tapioca, Art Ocean and All High, respectively. Among the 99.95% interest owned and/or controlled by Art Rich in Global Property, 51% is effected through the Aja-Art Rich Arrangements.

At present, the Directors intend to apply approximately 59% of the net proceeds of the Share Offer for establishment of warehousing facilities and acquisition or leasing of drying yards in Thailand, further details of which are set out in the paragraph headed "Use of proceeds" in the section headed "Future plans and use of proceeds" of this prospectus.

As advised by the Company's Thai legal advisers, pursuant to the Land Code of Thailand, the Group may own land in Thailand if it has obtained an investment promotion status from the Office of the Board of Investment or has located its businesses in any industrial estate under the supervision of the Industrial Estate Authority of Thailand. The Company's Thai legal advisers have also advised that the preliminary requirement for activities which are eligible for an investment promotion status as stated in the Investment Promotion Act, before investment promotion status could be granted by the Office of the Board of Investment, includes those activities which (i) are important and beneficial to the economic and social development, and security of the country; (ii) involve production for export; (iii) have high content of capital, labour or service; or (iv) utilise agricultural products or natural resources as raw materials, provided that in the opinion of the Office of the Board of Investment, they are non-existent in Thailand, or existent but inadequate, or use out-of-date production processes. The Company's Thai legal advisers have advised that it is feasible for the Office of the Board of Investment to grant to both Alush Thailand and Global Property the investment promotion status provided that the Board of Investment determines that their business activities are beneficial to the country and/or helping the economy of Thailand, particularly the promotion of the agricultural products of Thai farmers. The Company's Thai legal advisers have also advised that both Alush Thailand and Global Property are qualified to apply for permission to own land in industrial estate under the supervision of the Industrial Estate Authority in Thailand.

As advised by the Company's Thai legal advisers, under the Foreign Business Act, a foreign company (being a company having its foreign national shareholders at 50% or more of the total issued shares) is prohibited to engage in the business of land trading in

## RISK FACTORS

Thailand. As advised by the Company's Thai legal advisers, the Aja-Art Rich Arrangements are lawful, valid and legally effected, binding and enforceable under the relevant Thai laws. There are uncertainties as to whether there will not be any change of laws in future, whether the Aja-Art Rich Arrangements will be considered in compliance with the then applicable Thai laws, whether the governmental or judicial authorities in Thailand may in the future interpret the then or existing laws or regulations with the result that acquisition (or subsequent disposal) of land by the Group as drying yards would be deemed as "land trading" for the purposes of the Foreign Business Act, or with the result that the Aja-Art Rich Arrangements would be considered to be in violation of the Thai laws and regulations. In such circumstances, the Aja-Art Rich Arrangements may be required to be cancelled or revised and Global Property may be regarded as a foreign national company under the Foreign Business Act. If these events occur, or if Alush Thailand and Global Property are unable to obtain investment promotion status from the Office of the Board of Investment or if the Group is unable to locate suitable land in industrial estate for usage as drying yards, the Group's future plan of acquisition of drying yard in Thailand may not be implemented. There is also a risk that if there is any drying yard acquired by Global Property, it may be required to surrender the land with or without any compensation.

### **The Group sells one single product. Sudden decrease in market demand and/or the availability of substitute of cassava found for the Group's dried cassava chips would adversely affect the Group's business**

The Group sells one single product, that is, dried cassava chips. During the Track Record Period, all of the Group's revenue was generated from the sales of dried cassava chips. The range of application of dried cassava chips in the PRC includes consumable ethanol, animal feed, chemical products and ethanol fuel. Although the Directors expect the demand for dried cassava chips to increase as an alternative to corn in the production of ethanol fuel in the PRC, if there is a decrease in market demand and/or the availability of substitute of cassava in the PRC, the Group's operating results could be adversely affected.

### **Reliance on major customers in the PRC**

Sales to the Group's five largest customers accounted for approximately 65.1%, 62.0%, 57.2% and 76.0% of the Group's revenue in the respective three financial years ended 31 March 2008 and five months ended 31 August 2008, and sales to the Group's single largest customer accounted for approximately 24.5%, 22.1%, 19.0% and 28.3% of the Group's revenue in the respective years and five months ended 31 August 2008. During the Track Record Period, the Group's revenue was principally derived from sales to customers in the PRC. The Directors anticipate that sales of dried cassava chips in the PRC will continue to represent a significant portion of the Group's revenue in the near future. As a result, the Group's operating results and financial performance will be affected by any adverse changes in economic, political and social conditions in the PRC.

Whilst the Directors consider that the Group has established close business relationships with its principal customers in the PRC, there is no assurance that these customers will continue to place purchase orders with the Group in the future. If any of the Group's major customers cease to purchase from the Group, its business and profitability would be adversely affected.

## RISK FACTORS

### **Reliance on key suppliers in Thailand**

For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, the Group's purchases of dried cassava chips from the Group's five largest suppliers accounted for approximately 49.2%, 52.8%, 50.2% and 60.9% of the Group's total purchases. At present, most of the Group's suppliers are located in Thailand. For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, approximately 98.4%, 99.2%, 98.1% and 100%, respectively, of the dried cassava chips purchased by the Group was procured from Thailand. The Directors anticipate that the purchases of dried cassava chips in Thailand will continue to represent a significant portion of the Group's purchases in the near future. As a result, the Group's operating results and financial performance will be affected by any adverse changes in economic, political and social conditions in Thailand. Apart from the long-term supply contracts with the Group's largest supplier for the Track Record Period and a supplier in Laos, the Group does not have any long-term supply contract with its cassava chips and fresh cassava roots suppliers. If the Group fails to secure adequate quantities of dried cassava chips/fresh cassava roots on a timely basis, the Group's business and profitability may be adversely affected.

**The Group increases its level of inventory towards the end of the harvest season in order to keep adequate level of inventory for sales during the non-harvest season. Sudden decrease in demand for the Group's dried cassava chips may lead to slow-moving of inventories**

The inventory turnover days (being the average of opening and closing inventory balances divided by cost of sales and multiplied by 365 days) of the Group were approximately 76.9 days, 87.8 days, 55.0 days and 33.0 days respectively for each of the three financial years ended 31 March 2008 and five months ended 31 August 2008. If demand for the Group's dried cassava chips decreases or if there is a mismatch of inventory level and the orders on hand, the Group's inventory may accumulate and the Group's operations and liquidity may be adversely affected.

**The Group relies on the dry bulk vessels for shipping its product to the PRC. If it cannot arrange shipment for delivery of its product as scheduled, the Group's business would be adversely affected**

During the Track Record Period, the Group's dried cassava chips were shipped to the PRC from Thailand, Vietnam and Indonesia. Therefore, sea transportation is one of the important parts of the Group's business processes. The Group relies on its network of dry bulk vessels to arrange for sea transport of its goods. The Group generally enters into voyage charters with carriers which means that the Group hires the vessel for a one-way voyage between specific ports with a specified cargo at a negotiated rate of freight. Generally the charter parties entered into by the Group are voyage charters in respect of point-to-point voyage. Due to the cyclical nature of the shipping industry, the Group may be exposed to increased freight rates. Any increase in port fees, stevedoring expenses and bunker fuel prices will also increase the shipping costs of the Group as most of the charter parties are negotiated by the Group on a single voyage basis. Under the sale contracts of dried cassava chips, the price for each tonne of dried cassava chips is generally fixed at the

## RISK FACTORS

time the contract is made, and the Group is responsible for all the shipping charges. If the Group is unable to pass any increase in freight rates to its customers, the Group's profitability will be adversely affected.

### **The Group's business, financial condition and operating results may be adversely affected by the volatility of prices of dried cassava chips and the interruption of supply or shortage of dried cassava chips**

The prices of dried cassava chips may be affected by market demand and supply, inclement weather conditions and other natural disasters. Any significant increase in the prices of the dried cassava chips sourced by the Group will have an adverse effect on the Group's profit margin. For example, the Group's monthly average purchase price of cassava chips at warehouses in 2006 fluctuated within the range of approximately HK\$700 per tonne to approximately HK\$790 per tonne, which was followed by a general uptrend from approximately HK\$760 per tonne in January 2007 to approximately HK\$1,300 per tonne in August 2008. Similarly, the Group's weighted average purchase price of dried cassava chips during each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008 also fluctuated at approximately HK\$740, HK\$790, HK\$1,100 and HK\$1,300 respectively. The Group's average selling price of dried cassava chips for each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008 was approximately HK\$980, HK\$1,000, HK\$1,400 and HK\$1,700 respectively. For each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, the Group's gross profit margin was approximately 22.6%, 24.3%, 26.4% and 22.1%, respectively and its net profit margin was approximately 2.1%, 4.2%, 11.3% and 1.4%, respectively. The sustainability of the Group's profit margin depends on a number of factors, including the selling price and the procurement costs. In addition, the Group may also experience difficulties in obtaining dried cassava chips of acceptable quality and sufficient quantity on a timely basis due to shortage from its suppliers. If the Group is unable to pass on the increased cost to its customers by raising its selling prices, or overcome the interruption of sufficient supply of quality cassava chips, its business, financial condition and results of operations may be adversely affected.

### **Escalating oil price will increase the costs of transportation**

The majority of the Group's dried cassava chips are shipped under C.N.F. terms i.e. the Group has to pay the costs and freight necessary to bring the goods to the port of destination. For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, the freight costs of importing goods to the PRC accounted for about 12.0%, 13.4%, 10.7% and 11.1% of the total sales of the Group in the respective years or period. Any increase in oil prices will increase the freight costs of the Group, and if the Group is unable to pass on these increased expenses to its customers, its profit margin may decrease and its financial conditions may be adversely affected.

## RISK FACTORS

### **The Group may not be able to sustain its revenue and net profit levels and/or implement its expansion plan successfully**

For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, the Group recorded revenue of approximately HK\$740.9 million, HK\$818.3 million, HK\$903.6 million and HK\$334.5 million respectively. During the same period, the net profit was approximately HK\$15.3 million, HK\$34.1 million, HK\$101.9 million and HK\$4.8 million respectively. The business of the Group was largely dependent on the demand for dried cassava chips from customers in the PRC, who are not obliged to place orders with the Group at historical level or at all. If the demand for dried cassava chips in the PRC decreases, it may result in significant loss of sales, and the business, financial condition and results of operation of the Group may be materially and adversely affected.

The Group plans to increase its purchases of dried cassava chips from other territories in Southeast Asia such as Laos and Cambodia. The Group also intends to expand its upstream operations by sourcing more fresh cassava roots and processing them into dried cassava chips. Whether the Group's plans can be successfully implemented is dependent upon a number of factors, including, amongst other things, its ability to manage such expansion and the availability of financial resources. The Group may also be subject to a variety of risks associated with conducting business in new geographical regions, including: political and economic instability; changes in diplomatic and trade relationships; staffing and managing regional operations; enforcing agreements in other countries; potentially adverse tax consequences resulting from operating in multiple jurisdictions with different tax laws; changes in tariffs and other barriers and restrictions. There can be no assurance that such factors will not require the Group to modify its current business practices and will not have a material adverse impact on the Group's business, financial condition and prospects. There is no assurance that the Group will be able to expand its upstream operations and/or operate the expanded business profitably. If the Group is unable to implement its expansion plan successfully, the Group's future operating results could be affected.

### **If the Group is unable to secure the supply of cassava in the next harvest season, the Group's profitability for the second half of its financial year will be adversely affected**

Generally, the harvest period for cassava roots commences in November and ends in March each year. Due to the variation of the availability of cassava in a year, the Group engages in a higher portion of direct sales (which has a lower gross profit margin than sales from warehouse) in the first half of a financial year compared to the second half of the financial year. For the five months ended 31 August 2007, the Group recorded revenue and net profits of approximately HK\$273.7 million and HK\$27.7 million respectively, representing approximately 30.3% and 27.2% of the total revenue and net profits of the Group for the financial year ended 31 March 2008 respectively. If the Group is unable to secure the supply of cassava in the harvest season, the Group's profitability for the second half of its financial year will be adversely affected.

## RISK FACTORS

### **Demand from customers may be affected by the recent economic tsunami and credit tightening**

The recent economic tsunami and credit tightening have adversely affected the US and the world economies. With a deteriorating worldwide economy, it is expected that the Chinese economy will be cooling down as exports to the US and Europe are rapidly softening and the demand for consumable alcohol and ethanol fuel may be diminished, which in turn may affect the demand for the Group's products. Should the impact of the financial tsunami affect the Group's customers, the demand for the Group's products may be significantly affected, which may adversely affect the Group's future profitability. In addition, the credit tightening environment may aggravate the interest expenses on the Group's bank borrowings, or the banks may even reduce the amount of or discontinue the banking facilities currently available to the Group, which may adversely affect the Group's business operations as the Group's operations are working capital intensive and the Group finances its working capital and capital expenditure requirements principally through net cashflow from operating activities and bank borrowings. If this economic downturn continues, the business operations of the Group could be adversely affected.

### **There is no assurance that the Alush Arrangements, the GP Arrangements or Aja-Art Rich Arrangements will be in compliance with Thai laws in the future**

The Group's two operating subsidiaries in Thailand, namely, Alush Thailand and Global Property are principally engaged in sourcing and export of dried cassava chips and processing of fresh cassava roots respectively. During the Track Record Period until the implementation of the Reorganisation as stated below, Mr. Chu controlled the two operating subsidiaries through his shareholding and the Alush Arrangements and GP Arrangements, respectively. Details of these arrangements and the reasons for such arrangements are set out in the paragraph headed "Thai Arrangements" under the section headed "History and development" in this prospectus. As part of the Reorganisation, the Group acquired and owned the entire registered capital in Alush Thailand, while the Group has obtained control of the entire equity interest in Global Property (as to 49% by direct ownership and as to 51% through the Aja-Art Rich Arrangements). Details of the Aja-Art Rich Arrangements and the reasons for entering into such arrangement are set out in the paragraph headed "Thai Arrangements" under the section headed "History and development" in this prospectus.

According to the Company's Thai legal advisers, the Alush Arrangements, the GP Arrangements and the Aja-Art Rich Arrangements are lawful, valid and legally effected, binding and enforceable under the then prevailing or existing Thai laws at the relevant time. However, there is no assurance that in future the Thai laws will not be changed and that the Aja-Art Rich Arrangements will in future be considered non-compliance with the then prevailing Thai laws. It is also not certain that whether governmental or judicial authorities in Thailand may in the future interpret the then prevailing or existing laws or regulations with the result that the Alush Arrangements, the GP Arrangements or the Aja-Art Rich Arrangements would be considered not to be in compliance with the relevant Thai laws and regulations. In such circumstances, there may be an adverse effect on the business, financial condition or results of operations of Alush Thailand and Global Property.

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### **The Aja-Art Rich Arrangements may not be as effective in providing control as direct ownership**

The Group controls the 51% equity interest in Global Property through the Aja-Art Rich Arrangements, details of which are set out in the paragraph headed “Thai Arrangements” under the section headed “History and development” in this prospectus. As advised by the Company’s Thai legal advisers, the Aja-Art Rich Arrangements are lawful, valid and legally effected, binding and enforceable under the Thai laws. Accordingly, if there is any dispute between the parties, such dispute may be resolved in accordance with the Thai legal procedures. As advised by the Company’s Thai legal advisers, if Mr. Aja will be in breach of any contract, undertaking or proxy under the Aja-Art Rich Arrangements, the Group may have to seek and enforce legal remedies under the Thai laws, including seeking specific performance or injunctive relief, and claiming damages. There is no assurance that such remedies will be effective under Thai laws and even if the Group is able to obtain a judgment in its favour, it might not be practicable for the Group to enforce the judgment in light of the financial means of Mr. Aja, which could affect the Group’s business. Further, in the event of the imposition of statutory liens or bankruptcy against Mr. Aja, unrelated third-parties may claim rights to some or all of the shares in Global Property registered under Mr. Aja’s name. It is not clear whether this would hinder the Group’s ability to claim priority right over any of these third party creditors’ rights.

As a result, uncertainties in the Thai legal system could limit the Group’s ability to enforce the Aja-Art Rich Arrangements.

### **The Group’s operations are working capital intensive, and failure to maintain sufficient working capital may have an adverse impact on its business**

The Group’s operations are working capital intensive. The Group generally settles its purchases of dried cassava chips within the next two business days following delivery. Therefore, the Group requires sufficient working capital to fund its procurement of cassava chips. The Group funds its working capital requirements out of cashflow generated principally from operating activities and bank borrowings. If the Group fails to maintain sufficient working capital through its business activities, collection of trade receivables or maintenance of bank loans, it may not have sufficient working capital for its business operations and its financial position may be adversely affected.

## RISK FACTORS

### **Direct sales**

The Group sells its products either through direct sales or sales from warehouses. In respect of direct sales, the Group will negotiate sales contracts with its customers and sourcing contracts with its suppliers respectively. Generally, the Group will conclude a sourcing contract with its supplier either before or after the signing of the sales contracts with its customers. Depending on the market conditions (for instance, when the Group foresees an increasing shortage in the supply side in the near future, the price of dried cassava chips is in the increasing trend and/or the market demand in the PRC is strong), the Group may enter into the sourcing contracts with its suppliers prior to the signing of the sales contracts with its customers. In the past, prior approvals of Mr. Chu were sought for the entering into of such contracts.

In the event that the Group fails to procure any sales contracts after signing of a sourcing contract or due to unforeseen market conditions, the sale price by the Group may be lower than its cost and the Group's profitability may be adversely affected.

### **Leasing of warehouses**

All the warehouses of the Group are leased in Thailand. Particulars of the leased properties and the lease agreements are set out in the paragraph headed "Property interests" under the section headed "Business" and the property valuation report of the Group in Appendix III to this prospectus. The Group faces inherent legal and commercial risks associated with these leasing arrangements. The Group's warehouses in Bangsai and one of the two warehouses in Sriracha are sub-leased from the independent third party lessors who, in turn, leased the relevant properties from the respective property owners. The Company's Thai legal advisers confirmed that the sub-leases of the warehouses in Bangsai and Sriracha are legal, valid and subsisting, binding and enforceable and complies with relevant Thai laws and regulations. The lessors under any of the leases may act in breach of their obligations under the relevant lease agreements, or decide not to renew the lease upon the expiry of their respective terms. The vicinity of the Group's warehouses in Bangsai and Sriracha to the port facilities have allowed the Group to shorten the lead time for cargo readiness. There is no guarantee that the Group can secure new lease agreement on commercially viable terms at comparable locations with the lessors or owners of other warehouses suitable for storage and transportation of cassava chips. Should these happen, the Group's business operation may be adversely affected. For the warehouse in Bangpakong, the Company's Thai legal advisers were unable to confirm the ownership of the lessor because the Company's Thai legal advisers have not been provided by the lessor with proper document of title of the land and the warehouse at Bangpakong. Under Thai laws as supported by Thailand Supreme Court judgments, lessor of a property needs not be owner of the property but needs to have the right to lease out the property, e.g. sub-lease. In the event that the lessor in fact does not have the right to lease out the warehouses in Bangpakong due to any reason or the lessor's right is terminated by any reasons, the lessee will not be subject to any penalty or claims since it legally entered into the relevant lease agreement with good faith. Given the fact that the Bangpakong's warehouse capacity represents approximately 4.3% of the present total maximum loadable capacity of the Group's warehouses in Bangsai (including other warehouses within the same location rented by the sub-lessor which the Group, pursuant

## RISK FACTORS

to its lease agreements for its storage facilities in Bangsai, has the priority right to rent (subject to the first right to rent by the sub-lessor and its affected companies)), Sriracha and Bangpakong, the Directors consider that in the event that the Group has to relocate its warehouses in Bangpakong, it would not have any significant impact to the Group's operations. According to the Group's business plan, the Group intends to establish more warehouses in the future. Therefore, the importance of any small individual warehouse will be decreased. However, the Group may need to find replacement warehouse and its operation may be adversely affected.

### **Leasing of offices in the PRC**

As at the Latest Practicable Date, the Group had a total of four leased properties in the PRC which are located in Qingdao, Rizhao, Jinan and Lianyungang and the leased area of each of which ranges from about 25m<sup>2</sup> to 115m<sup>2</sup>. Out of these leased properties, (i) the landlords of the property in Jinan did not provide the Group with the title certificates of the property concerned; (ii) the landlord of Qingdao (a connected person, particulars of which are set out in the paragraph headed "Details of Continuing Connected Transactions" under the section headed "Business" in the prospectus), did not provide the valid land use right certificate; (iii) the actual use as staff quarter and office under the lease of Qingdao Office did not comply with the agreed use as staff quarter; and (iv) the office leased by the Group in Rizhao by the Group from a connected person is subject to a mortgage. If the mortgage is enforced, the mortgagee has the right to terminate the lease. In respect of these leases, the Company's PRC legal advisers are unable to confirm whether the party named as landlord in the lease for Jinan office has the legal right to execute the relevant lease and cannot confirm whether the leases are valid and enforceable or whether the rights of the Group are protected under the PRC law.

If there is any dispute as to the legal title of any such leased property and/or if the Group's right to occupy the property comes into question, or the relevant leases are considered void by the relevant PRC authorities, the relevant office may have to be vacated and relocated elsewhere. The Group may, as a result, incur additional expenses in relocation and the Group may not be able to identify another property that is comparable in size and location. In such cases, the Group's business operations may be adversely affected.

### **Transfer pricing risk in international trade**

The Group has adopted transfer pricing arrangements among its group companies located in Thailand, Hong Kong, Macau and the PRC to regulate intra-group trades. During the Track Record Period, the Group has been carrying out its trading of dried cassava chips through Alush Thailand, Artwell Tapioca, Artsun Macao and Rizhao Yushun. In this regard, the Group is subject to risks not faced by other companies with internal operations that do not create intra-group trades. As a result, the Group's tax position may be subject to review and possible challenge by the relevant authorities and any possible change or challenge in laws.

## RISK FACTORS

In the event that the Group's tax position is subject to review and possible challenge by the tax authorities in the relevant jurisdictions or there is a change in the tax policy and relevant tax laws in Thailand, Hong Kong, Macau or the PRC, it may adversely affect the Group's financial position and results of operation. In preparing the Group's financial information, the Directors have reviewed and assessed the Group's transfer pricing risk for the fact that it is possible that the relevant tax authority may challenge the Group's transfer pricing position, and the Directors considered that the Group has grounds to defend against such possible challenge. However, there can be no assurance that the Group will continue to be found to be operating in compliance with relevant transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes to the Group's transfer pricing practices or operating procedures. Any determination of income reallocations or modification of transfer pricing laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its transfer pricing laws.

### **Net current liabilities position and net cash outflow from operating activities**

The Group has recorded net current liabilities and net cash outflow from operating activities during the Track Record Period. There is no guarantee that such financial situation will not recur in the future. If the Group records similar financial situation in the future, the Group's financial performance measurement/indicators may be adversely affected.

### **The Group's reputation and business operation may be affected by defective cassava chips**

According to the Regulations on Quality Liability for Industrial Products (工業產品質量責任條例) promulgated by the State Council of the PRC, "Quality liability for products" refers to the liability due to the failure to satisfy the requirement for the applications, safety and other properties of the products stipulated in related laws and regulations, quality standards and contracts, which leads to loss on the part of the customer. The quality of the dried cassava chips is subject to the inspection conducted by the PRC Customs, and the defective cassava chips will not be allowed to be imported. If the Group's dried cassava chips are found to be defective, the Group's reputation and business operation may be affected.

### **Loss of any of the Group's key personnel will adversely impact its business and growth prospects**

The future success of the Group depends upon the continued services of its senior management. Some of its key executives, including the executive Directors, Mr. Chu and Ms. Liu have been with the Group or working with the industry related to the Group's business for over 15 years. Their experiences have contributed to the success of the Group's business. If the Group loses the services of any of these key personnel and the Group is unable to find suitable replacement, it will lose its competitiveness in the market, which may adversely affect its operating results and future prospects.

## RISK FACTORS

### **Historical dividends should not be used as an indication for the Group's future dividend policy**

The Group had declared and paid dividends of nil, HK\$22 million, HK\$75 million and nil for each of the three financial years ended 31 March 2008 and five months ended 31 August 2008 to its then Shareholders, representing nil, 64.6%, 73.6% and nil of the profit attributable to the equity holders of the Company for the respective years or period. The dividend payments during the Track Record Period have been financed by the internal resources of the Group.

The declaration and payment of dividends and their amount will be subject to the decision or recommendation of the Board. Whether the Company will declare dividends and the amount of which will depend on factors including its business operation, earnings, surplus, financial conditions, funding requirement, withholding tax and payments by subsidiaries of dividends to the Company. Historical dividend yield should not be used as a reference or basis for ascertaining the amount of dividends which may be payable in the future.

### **Incomplete assignment and registration of trademarks**

During the Track Record Period, the Group had been carrying out its principal business of procurement and sales of dried cassava chips in the PRC, Hong Kong, Thailand and Macau using "Artwell" as its title and brand name.

Pursuant to a transfer agreement dated 26 March 2008 entered into between Mr. Chu as assignor and Art Ocean as assignee, Mr. Chu assigned the ownership and interests of certain trademarks in the PRC to Art Ocean for a nominal consideration of RMB1.00 (equivalent to approximately HK\$1.14). Application for approval of such assignment has been submitted to the Trademark Office under the State Administration for Industry and Commerce of the PRC. As at the Latest Practicable Date, the relevant approval is still pending and the possible time for completion of the issue of the relevant approval is mid 2009.

In addition, as at the Latest Practicable Date, the Group has applied registration of certain trademarks in Hong Kong and Thailand. However, as at the Latest Practicable Date, certain trademarks registration applications in Hong Kong and all the trademarks registration applications in Thailand are still pending for approval by the relevant government authorities.

As the approvals of such assignment and registration have not been obtained, there can be no assurance that such assignment and registration will be approved or in case of such trademarks had already been registered by other third parties and, consequently, the Group may not be able to acquire rights to such trademarks. As the title and brand names are important to the Group's continuous development of Hong Kong and Thailand markets, any significant infringement of the Group's brand names or trademarks could have an adverse effect on the Group's business. Please refer to the paragraph headed "Intellectual property rights" in the section headed "Business" of this prospectus for further details.

## RISK FACTORS

### RISKS RELATING TO THE GROUP'S INDUSTRY

#### **Supply of agricultural products are susceptible to weather conditions and natural disasters**

The dried cassava chips that the Group sells to its customers are mostly sourced from Thailand. Natural disasters, inclement weather conditions and other acts of God which are beyond the Group's control may adversely affect the growing of cassava and the starch content of cassava roots in Thailand or its surrounding regions and consequently affect the Group's procurement of dried cassava chips. The Group's business, operating results and financial condition may be adversely affected if natural disasters, contagious disease, bad weather conditions and other acts of God occur.

#### **The Group operates in a competitive industry**

The Group operates in a competitive industry. In the Directors' view, the PRC cassava chips industry is fragmented, comprising a handful of enterprises which in aggregate dominate a majority of the market share and numerous other players sharing the remaining market in the PRC. The Directors believe that the Group is competing with over 30 importers of cassava chips in the PRC. There is no assurance that the Group will be able to maintain a competitive edge over other market participants. Intensive competitive pressure could have an adverse impact on the demand and pricing of the Group's products, which may adversely affect its business prospects and financial results.

#### **Perishable nature of fresh cassava and harvest seasonality**

Cassava chips must be stored or transported under specific conditions in terms of ventilation, humidity and certain other room conditions. If the cassava chips are not stored or transported under suitable conditions, they may be damaged by fermentation and decay. In addition, there is the risk of damage from fire or water during storage or transportation. Should the Group's inventory of dried cassava chips be damaged by infestation, decay, fire or water during storage or transportation, the Group's operations and profitability may be adversely affected.

The harvest period for cassava roots in Thailand is generally from November to March in each year. Cassava can be uprooted any time even if the roots are not fully-grown. Besides, the dried cassava chips produced from cassava roots can be stored and sold in non-harvest period. As such, the Group has to procure adequate inventories during harvest period to maintain a suitable level of inventories during low harvest period. This seasonality of supply may adversely affect the Group's financial performance if it cannot acquire adequate inventories in order to maintain sales performance in the low harvest season.

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### **Insufficient international commodity market for dried cassava chip futures**

While there is a cassava chip futures market at the Agricultural Futures Exchange of Thailand, the trading volume has been thin. Accordingly, the Group does not hedge against changes in commodity prices. The Group may experience price volatility caused by external conditions, commodity market fluctuations, currency fluctuations and changes in governmental agricultural programmes. Unexpected commodity price increases may result in increases in procurement costs, and the Group may not be able to increase its product prices to offset these increased costs without suffering reduced sales volume, revenue and operating income.

### **Potential risks of sea transportation of dried cassava chips from Thailand to the PRC**

The Group may incur significant losses or costs relating to the transportation of cassava chips by vessels via the seaports from Thailand to the PRC. These vessels and their shipments are subject to perils particular to maritime operations, including capsizing, grounding, collision and loss or damage from severe weather conditions or storms. Any such event may result in loss of cargoes, severe damage and injury to property and humans or in the Group being named as a defendant in lawsuits involving claims for large amounts of damages, which may in turn materially adversely affect its financial condition and results of operations. In addition, in view of the political and social instability in Thailand in the past few years, any occupation of these seaports by protestors in anti-government campaigns may materially adversely affect the Group's financial condition and results of operations.

### **Environmental standards established by other countries**

If there are new laws or regulations on environmental protection in any of the jurisdictions which the Group operates, the Group may become subject to these environmental protection laws or regulations and additional costs may have to be incurred in order to comply with the relevant new laws and regulations and the Group's business operation may be adversely affected.

### **Changes in relationship between the PRC and countries where the Group's major foreign trade partners are located**

Currently the Group's business operations are within the Southeast Asia and the Group's revenue was principally derived from sales to customers in the PRC. The Group has not encountered difficulties in its business operations with these Asian countries. If there are changes in relationship between the PRC and these countries, the Group's business operation may be adversely affected.

## RISK FACTORS

### **Changes in government regulations, including quality standards, licensing requirements, government charges and taxes applicable to the cassava industry may adversely affect the industry players**

Under the current Thai laws and regulations, the Group is required to obtain and maintain the certificate showing the registration as exporter of standard commodity from the Office of the Commodity Standard and an export licence for each export transaction from the Foreign Trade Department in order to operate its business in Thailand. One pre-requisite qualification for obtaining the certificate showing the registration as exporter of standard commodity from the Office of Commodity Standard is membership in any association relating to cassava products. Alush Thailand and Global Property have already obtained the certificates from the Office of the Commodity Standard as an exporter of standard commodity, which includes cassava products, for the year ending 31 December 2009. In the event of any change in laws and regulations or change in any eligibility criteria for the certificate or licence or any licensing conditions that prohibit the Group or make it more restrictive or onerous for the Group in obtaining or maintaining the certificate or licence, its business, results of operations and future expansion plans will be adversely affected.

Under the current PRC laws, enterprises engaging in cassava trading activities, such as import and sale of cassava chips in the PRC, are required to obtain appropriate business licences and registration certificates with the relevant PRC authorities, including the PRC Customs. Enterprises operating in the PRC are also subject to national and municipal laws, government charges, taxes and other impositions in the PRC.

The Group has obtained all necessary licences, certificates, permits and approvals for the import sales of its existing products in the PRC. However, there is no assurance that the Group will be able to renew such licenses, certificates, approvals and permits upon their expiration. The eligibility criteria for such licenses, certificates, approvals and permits and the relevant national standards on product quality may change from time to time and may become more stringent. In addition, new requirements for licenses, certificates, approvals, permits and product quality standards may come into effect in the future. The introduction of any new and/or more stringent laws, regulations, licenses, certificates, approvals, permits and product quality requirements relevant to the Group's business and operations may significantly escalate its compliance and maintenance costs or may limit or prohibit the Group from expanding its business. Furthermore, any changes or introduction of additional government taxes and charges may substantially increase the Group's costs of operation. Any such event may have an adverse effect to the Group's business, financial results and future prospects.

### **Demand for ethanol fuel may be affected by the price of oil or petroleum-based fuels**

According to the 《可再生能源中長期發展規劃》 (The Mid and Long-term Development Plan for Renewable Energy) as announced by the NDRC in August 2007, since the production capacity of ethanol fuel projects using grain feedstock as raw material will not be increased in the PRC, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will lead to increase in the demand for imported dried cassava chips in the PRC.

## RISK FACTORS

As ethanol fuel can be used in pure form or blended with petrol (gasoline) as automotive fuel and used as a substitute for petrol, the demand for using ethanol fuel as a substitute for petroleum-based fuels may not grow as expected if the price of oil or petroleum-based fuels is lower than that of ethanol fuel. In such circumstances, the demand for imported dried cassava chips in the PRC may not grow as expected and the Group's results of operation may be adversely affected.

In addition, from June 2008 to January 2009, prices of crude oil and denatured fuel ethanol saw a general trend of decline. If their prices continue to fall, the Group's business, financial condition and results of operation could be adversely affected.

### **Demand for ethanol fuel in some provinces in the PRC may not grow as expected**

The future growth of the ethanol fuel industry in the PRC depends on a number of factors, such as the PRC governmental policies, the number of areas where the sale of ethanol fuel is permitted and encouraged by the NDRC, the price of and demand for petroleum-based fuel, the emergence of other alternative fuels or forms of renewable energy and improvements to processing technologies for ethanol fuel. Demand for ethanol fuel in the PRC may not increase as the Group expects. Should any unforeseen factors emerge to undermine the development of the ethanol fuel industry in the PRC, the Group's ethanol fuel-producing customers' business could be adversely affected and consequently the Group's business, financial condition and results of operations could also be adversely affected.

## **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

### **Economic, social and political considerations**

The Group conducts its marketing activities principally in the PRC and its products are sold mainly to the PRC customers. As such, its operations, financial results and future prospects are subject to the economic, social and political developments of the PRC. The PRC economy differs from the economies of most developed countries in many respects, such as structure, level of government involvement, control of foreign exchange and allocation of resources. The PRC economy is generally a planned economy, in which periodic economic plans and measures are promulgated and implemented by the State. The PRC has been reforming its economic and political systems towards a more market-oriented economy in the past two decades, and many of the reforms are unprecedented and are expected to be refined and improved. The PRC government plays a significant role in the PRC economic growth. In view of concerns over the PRC's economic and fixed investment growth, bank credit and inflationary pressure, the PRC government has taken measures, including direction and/or restrictions on bank loans to certain sectors and change in interest rates, with the aim of managing the PRC's economic growth. Such measures, and any additional measures which may be further taken by the State, may have a significant negative impact on the PRC economy which in turn will adversely affect the Group's business, results of operations and future prospects.

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There is no assurance that the State will continue to pursue economic reforms, or that such reforms will be conducive to the benefit of the Group. Furthermore, changes in the political, economic and social conditions, laws, regulations and policies of the State may have a material adverse effect on the Group's business, financial results and future prospects.

### **The PRC legal system**

The Group operates and conducts part of its business in the PRC and therefore are subject to PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since 1979, the State has promulgated laws and regulations relating to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. Notwithstanding that, prospective investors should be aware that since the PRC legal system is still in a development stage and there is only limited volume of published cases (which are non-binding in nature), the interpretation and enforcement of the PRC laws and regulations involve a degree of uncertainty and may be inconsistent from time to time.

### **Currency conversions and fluctuations**

Although the majority of the Group's revenue and substantially all of the Group's cost of sales are denominated in Baht and US dollars, part of the payments of Rizhao Yushun is denominated in RMB.

With effect from July 2005, RMB is pegged against a basket of currencies determined by the People's Bank of China to improve the flexibility of the new foreign exchange system. The exchange rate of RMB against US dollar has appreciated since the PRC government shifted its pegged target from US dollar to a basket of currencies in July 2005. The RMB exchange rate may become volatile and the RMB may be revalued further against the US dollar or other currencies, or the RMB may be permitted to enter into a limited or full free float, which may result in an appreciation or depreciation in the value of the RMB against the US dollar or other currencies. As at the Latest Practicable Date, the Group has not taken any measures to hedge its RMB exposure. Appreciation in the value of RMB may adversely affect the administrative costs of the Group and, when translated or converted into Hong Kong dollars, the Group's earnings and net assets.

Further, RMB is not freely convertible to other currencies, except under certain circumstances. Pursuant to 《外匯管理條例》(the "Foreign Exchange Control Regulations") and 《結匯、售匯及付匯管理規定》(the "Regulations on the Foreign Exchange Settlement, Sale and Payments"), subject to provision to the banks which are authorised to engage in foreign exchange business of all the required documents under the relevant PRC laws, foreign investment enterprises are permitted to remit their profit or dividends in foreign currencies overseas or repatriate such profit or dividends after converting the same from RMB to foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert RMB to foreign currencies for items in current account (including, for example, dividend payments to foreign investors). Control over conversion of RMB to foreign currencies for items in capital account (including, for example, direct investment, loan and investment in securities) is more stringent.

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The Group's business operations undertaken by Rizhao Yushun are subject to the above laws and regulations. There is no assurance that the Group will obtain sufficient foreign exchange for payment of dividends or other settlements in foreign exchange.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THAILAND**

#### **Economic, social and political considerations**

The Group is subject to political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in other countries with more developed economies. The Group's business and operations are subject to the changing economic and political conditions prevailing from time to time in Thailand. The Thai government has implemented policies to manage the Thai economy and occasionally made significant policy changes. The Thai government's policies have included, among other things, wage and price controls and limits on imports. The Group's business, financial condition, results of operations and prospects may be adversely affected by changes in Thai government's policies and political stability in Thailand.

The Group conducts substantially all of its procurement and export operations in Thailand and the performance of the Thai economy has a significant impact on its business. From 1996 to 1998, Thailand's gross domestic product ("GDP") growth slowed down significantly as compared to historical levels and the country entered a recession. According to Thailand's National Economic and Social Development Board (the "NESDB"), Thailand's GDP subsequently grew by approximately 5.1% in 2006 and approximately 4.8% in 2007.

Factors that may adversely affect the Thai economy include:

- historical and potential future outbreaks of avian influenza, Severe Acute Respiratory Syndrome or other contagious diseases;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in regional interest rates;
- changes in taxation;
- natural disasters, including tsunamis, earthquakes, fires, floods, drought and similar events;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the region;
- fluctuation in oil prices;
- political tension and public protests against the government;

## RISK FACTORS

- other regulatory, political or economic developments in or affecting Thailand; and
- recent and threatened terrorist activities in Southeast Asia, including continued violence in the southern parts of Thailand.

The Group cannot be certain that the Thai economy will meet current projections or continue to improve in the future. Any downturn in the Thai economy may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Alush Thailand and Global Property are entities established under the laws of Thailand and are subject to the requirements set out in the Foreign Business Act, which restricts any Thailand company with 50% or more of its shares held by foreign shareholders from operating certain businesses in Thailand. Currently, the businesses operated by Alush Thailand and Global Property are not restricted under the Foreign Business Act. However, any subsequent change in the prevailing laws and regulations in Thailand that may prohibit the Group from operating its existing business in Thailand may have material adverse impact on the Group's overall operations.

### **The Group's business may be affected by political or social instability in Thailand**

For the past few years, there occurred certain political events which caused political tension and instability in Thailand. Its prime ministers had been ousted amidst anti-government campaigns in 2006 and 2008 respectively. Government offices and airports in Thailand had been occupied by anti-government protestors in the campaigns. Although the Group's main operation in Thailand involves warehousing and the use of ports, such facilities had not been occupied by anti-government protestors during the anti-government campaigns. In the event that the Group's warehousing facilities and major ports are occupied by protestors during anti-government campaigns in the future, the Group's business operations will be significantly affected.

Any future political instability in Thailand may have an adverse effect on the Group's business. There can be no assurance that the political environment in Thailand will be stable or that the current or any future government will adopt economic policies conducive to sustained economic growth or which do not impact adversely on the current regulatory environment for cassava exporters.

### **Currency conversion and foreign exchange control**

The value of the THB against the US dollars depreciated significantly during the period from July 1997 to 1998, and has fluctuated since 1998. It is uncertain that the THB will not be subject to future depreciation, appreciation or volatility, or that the Thai government's current exchange rate policy will not change in the future.

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The Group's raw materials and capital expenditures for future expansion programs will mainly be denominated in, and may be financed in, Thai Baht. Although the Group has managed to pass on the impact of currency fluctuations to its customers in the past, any future appreciation in the THB against the US dollars or RMB would increase the Group's procurement cost and the cost of its capital expenditures and there is no assurance that the Group will be able to continue to pass on such impact to its customers which could have an adverse effect on its business, financial condition, results of operations and prospects.

### **RISKS RELATING TO CONDUCTING BUSINESS IN CAMBODIA**

#### **Economic, social and political considerations**

The recent history of Cambodia has been characterised by political instability and civil war, with fighting between different factions until 1997. It is only in the past few years that Cambodia has regained some measure of political stability. However, any political instability may have an adverse effect on Cambodia's economy. Further, the Cambodian government may impose new measures or restrictions on exports of agricultural products. In such event, the Group's profits and operating results may be adversely affected.

The Group's operations in Cambodia are subject to laws, rules and regulations promulgated by the Cambodian government. The laws in Cambodia and its legal system are still in a developmental stage and are subject to changes. These factors mean that there is a lack of consistency and predictability in dispute resolution and in the interpretation and enforcement of laws and regulations. Accordingly, doing business in Cambodia entails a certain degree of risk and uncertainty. In the event that new laws are imposed, or existing laws, rules or regulations are interpreted or enforced in a way which is adverse to the Group's operations, its operations and financial performance may be adversely affected.

#### **Currency conversion and foreign exchange control**

Presently there are no exchange control restrictions in force in Cambodia which may prevent repatriation of profits from the Group's operations in Cambodia. However, in the event that such exchange control restrictions are imposed, the Group's ability to utilise revenue (if any) generated in Cambodia or distribute dividends (if any) to Shareholders may be constrained.

## RISK FACTORS

### RISKS RELATING TO THE SHARE OFFER

#### **Liquidity and possible price volatility of the Shares**

Prior to the Share Offer, there has been no public market for the Shares. The final Offer Price for the Shares was the result of negotiations between the Company and the Sole Lead Manager (for itself and on behalf of the Underwriters). The final Offer Price may differ significantly from the market price for the Shares following the Share Offer. The Company has applied for the listing of, and permission to deal in, its Shares on the Stock Exchange. There is, however, no assurance that an active trading market for the Shares will develop after Listing, or that if it does develop, will be sustained following the Share Offer, or that the market price of the Shares will not decline following the Share Offer.

The price and trading volume of the Shares will be determined by the equity market conditions and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to the Group's business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Company, and general political, economic, social and market conditions in the PRC, Thailand, Cambodia, Macau, Hong Kong or other parts of Asia might cause the market price of the Shares to change substantially.

#### **Accuracy of official government statistics contained in this prospectus with respect to the PRC and Thailand, their respective economy**

Official government statistics, facts and other information in this prospectus relating to the PRC and Thailand, their respective economies and the cassava industry are derived from various publications and publicly available official government sources generally believed to be reliable. The Sponsor and the Directors have taken reasonable care to reproduce the information and statistics derived from official government publications. However, the Company cannot guarantee the quality and reliability of such source materials. These official government statistics have not been independently verified by the Company and therefore the Company makes no representation as to the accuracy of such official government statistics, which may not be consistent with other information compiled within or outside the relevant jurisdiction and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the official government statistics herein may be inaccurate or may not be comparable from period to period or to official government statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

## RISK FACTORS

### **Issue of new Shares under the Share Option Scheme will have a dilution effect and may affect the Group's profitability**

The Company has conditionally adopted the Share Option Scheme, although no options have been granted thereunder as at the Latest Practicable Date. Any exercise of the options granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders in the Company and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after the issue.

Under the Hong Kong Financial Reporting Standards, the options granted to the grantees through the Share Option Scheme will be charged to the Group's income statements at fair value.

### **Risks associated with forward-looking statements**

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "expect", "may", "ought to", "should" or "will". Those statements include, among other things, the discussion of the Group's growth strategy and expectations concerning its future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Company believes the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this "Risk factors" section, many of which are not within the Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by the Company that its plans, or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. The Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

## **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which the Directors collectively and individually accept full responsibility, contains particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading;
2. there are no other matters the omission of which would make any statement in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Share Offer is made solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or affiliates of any of them or any other persons or parties involved in the Share Offer.

## **UNDERWRITING**

This prospectus is published in connection with the Share Offer, which is sponsored by Taifook Capital and managed by the Sole Lead Manager and fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement, including the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company agreeing to the Offer Price. Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

## **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company on or before Saturday, 14 March 2009, or such later date as may be agreed between the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company but in any event not later than 6:00 p.m. on Wednesday, 18 March 2009.

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

If the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse.

### **Application for the Offer Shares**

The application for the Offer Shares will commence on Thursday, 26 February 2009 up to Friday, 13 March 2009 for fourteen calendar days (excluding Sundays), being longer than normal market practice of about four Business Days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 20 March 2009. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 23 March 2009.

### **RESTRICTIONS ON SALE OF THE SHARES**

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

### **United States**

The Offer Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the benefit of, U.S. persons, except to qualified institutional buyers in accordance with Rule 144A or in accordance with another exemption from the registration requirements of the U.S. Securities Act, or outside the United States in accordance with Regulation S. In addition, until 40 days after the later of the commencement of the Share Offer and the completion of the distribution of the Offer Shares, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Share Offer) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, such requirements.

**THE OFFER SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE SHARE OFFER OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

If at any time the Company is not subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any owner of the Offer Shares purchased pursuant to Rule 144A or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act to permit compliance with Rule 144A in connection with the resale of the Offer Shares so long as any of the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act. The Company will also furnish to each such owner all notices of Shareholders’ meetings and other reports and communications that the Company generally makes available to Shareholders.

### **United Kingdom**

This prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the UK Financial Services Authority (“FSA”) under section 84 of the Financial Services and Markets Act (the “FSMA”) and has not been approved by or filed with the FSA. The Offer Shares have not been offered or sold, and prior to the expiry of a period of six months from the latest date of the issue of the Offer Shares, the Offer Shares may not be offered or sold, to the public in the United Kingdom (within the meaning of section 102B of the FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of the FSMA) being made available. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in any investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of the FSMA does not apply.

In the United Kingdom, this prospectus is directed at, and its distribution is restricted to persons who are both (i) “qualified investors” within the meaning of section 86 of the FSMA and (ii) “investment professionals” as defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Any investment or investment activity to which this prospectus relates is available only to such persons and will be engaged in only with such persons. Persons who do not have professional experience in investments should not rely on this prospectus.

### **Singapore**

This prospectus has not been and will not be lodged as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) with the Monetary Authority of Singapore and the Offer Shares will be offered in Singapore pursuant to exemptions invoked under Subdivision 4, Division 1 of Part XIII, particularly Section 274 and Section 275, of the SFA. Accordingly, this prospectus and any other offering document or material in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or sold, directly or indirectly, nor may an invitation or offer to subscribe for or purchase any Offer Shares be made, directly or indirectly, in Singapore other than (a) pursuant to, and in accordance with the conditions of, exemptions invoked under Subdivision 4, Division 1, of Part XIII, particularly Section 274 and Section 275, of the SFA and to persons to whom the Offer Shares may be offered or sold under such exemption; or (b) otherwise pursuant to, and in accordance with the conditions of any other provision of the SFA (including any re-sale restrictions under the SFA).

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **PRC**

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold, directly or indirectly, or offered or sold to any person for re-offering or re-sale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

### **Cayman Islands**

The Offer Shares may not be offered or sold to the public in the Cayman Islands.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed that he or she or it is aware of the restrictions an offering of the Offer Shares described in this prospectus.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalisation Issue, Shares to be issued pursuant to the Share Offer, and any Shares to be issued upon the exercise of the Over-allotment Option, or any options which may be granted under the Share Option Scheme, on the Main Board.

Save as disclosed herein, no part of the Shares or loan capital of the Company is listed or dealt in on the Main Board or on any other stock exchange and at present, no such listing or permission to deal is being or is proposed to be sought on the Main Board or any other stock exchange in the near future.

### **HONG KONG BRANCH REGISTER AND STAMP DUTY**

All Shares to be issued pursuant to the Share Offer will be registered on the Company's branch register of members to be maintained by Tricor Investor Services Limited in Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Company, the Directors, the Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other persons or parties involved in the Share Offer do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading days. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence at 9:30 a.m. on Monday, 23 March 2009. Shares will be traded in board lots of 2,000 each.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. Chu Ming Chuan	House 41 The Riviera Silverstrand 10 Pik Sha Road, Sai Kung New Territories, Hong Kong	Chinese
Mr. Chu Ming Kin	The City Hotel 6/126 Sukhumvit, Sriracha Chonburi 20110 Thailand	Chinese
Ms. Liu Yuk Ming	Flat F, 7th Floor Tower 11 Metro City Phase II 8 Yan King Road Tseung Kwan O, Hong Kong	Chinese
Mr. Chan Yuk Tong	Flat A, 1st Floor Block 2, King's Park Villa 1 King's Park Rise Kowloon, Hong Kong	British
Ms. Lam Ching Fun	Room F, 3rd Floor Block 2, Man Lai Court Man Lai Road Tai Wai, Shatin New Territories, Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Professor Fung Kwok Pui	Flat B, 23rd Floor Block 3, Baycrest 8 Hang Ming Street Ma On Shan, Shatin New Territories, Hong Kong	Canadian
Mr. Lee Kwan Hung	Flat D, 26th Floor Block 2, Ronsdale Garden 25 Tai Hang Drive Jardine's Lookout, Hong Kong	Chinese
Mr. Yue Man Yiu Matthew	Flat A, 27th Floor Block 36, Laguna City Cha Kwo Ling Road, Kwun Tong Kowloon, Hong Kong	Chinese

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED

<b>Sponsor</b>	Taifook Capital Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
<b>Sole Lead Manager</b>	Taifook Securities Company Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
<b>Placing Underwriter</b>	Taifook Securities Company Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
<b>Public Offer Underwriters</b>	Taifook Securities Company Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
	Access Capital Limited Suite 606, 6th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong
	China Merchants Securities (HK) Co., Ltd. 48/F. One Exchange Square Central Hong Kong
	Grand Vinco Capital Limited Units 4909–10, 49/F The Center 99 Queen’s Road Central Hong Kong
	Mitsubishi UFJ Securities (HK) Capital, Limited 11/F., AIG Tower 1 Connaught Road Central Hong Kong
	Guangdong Securities Limited Units 2505-06, 25/F Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### Legal advisers to the Company

*As to Hong Kong law:*

Michael Li & Co.  
14th Floor  
Printing House  
6 Duddell Street  
Central  
Hong Kong

*As to PRC law:*

Jingtian & Gongcheng  
15th Floor  
The Union Plaza  
20 Chaoyangmenwai Dajie  
Beijing 100020  
PRC

Hills & Co.  
11th Floor  
Central Tower  
No. 88 Fu Hua 1st Road  
Fu Tian  
Shenzhen  
PRC

*As to Cayman Islands law:*

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to Thai law:*

Wissen & Co, Ltd.  
Level 8, Suite 3801  
BB Building  
54 Sukhumvit 21 (Asoke)  
Klongtoey Nua, Wattana  
Bangkok 10110  
Thailand

Nishizawa Consulting Co., Ltd.  
Room 401, 4/F  
56 Yada Building Silom Road  
Suriyawong, Bangrak  
Bangkok 10500  
Thailand

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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*As to Macau law:*  
C&C Advogados  
Avenida da Praia Grande  
759, 3 andar  
Macau

*As to Cambodian law:*  
B.N.G. Advocates & Solicitors  
No. 84, Monireth Blud  
Phnom Benh  
Cambodia  
P.O. Box No. 172

**Legal advisers to the Sponsor  
and the Underwriters**

*As to Hong Kong law:*  
Chiu & Partners  
41st Floor  
Jardine House  
1 Connaught Place  
Hong Kong

*As to PRC law:*  
GFE Law Office  
18th Floor,  
Guangdong Holdings Tower  
No.555, Dongfeng East Road  
Guangzhou  
PRC  
Postcode: 510050

**Auditors and reporting  
accountants**

Ernst & Young  
18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**Property valuers**

Asset Appraisal Limited  
Room 1303  
Beverly House  
93-107 Lockhart Road  
Wanchai  
Hong Kong

**Receiving banker**

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business</b>	Units 612–3 and 617 Houston Centre 63 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Chu Ming Chuan House 41 The Riviera Silverstrand 10 Pik Sha Road, Sai Kung New Territories, Hong Kong  Mr. Chan Yuk Tong Flat A, 1st Floor Block 2, King's Park Villa 1 King's Park Rise Kowloon, Hong Kong
<b>Compliance adviser</b>	Taifook Capital Limited 25th Floor, New World Tower 16–18 Queen's Road Central Hong Kong
<b>Company secretary</b>	Mr. Chan Chi Wai, Benny CPA Australia
<b>Audit committee</b>	Mr. Yue Man Yiu, Matthew ( <i>Chairman</i> ) Professor Fung Kwok Pui Mr. Lee Kwan Hung
<b>Remuneration committee</b>	Mr. Lee Kwan Hung ( <i>Chairman</i> ) Professor Fung Kwok Pui Mr. Yue Man Yiu, Matthew
<b>Nomination committee</b>	Professor Fung Kwok Pui ( <i>Chairman</i> ) Mr. Lee Kwan Hung Mr. Yue Man Yiu, Matthew
<b>Website address</b>	<a href="http://www.asiacassava.com">www.asiacassava.com</a>

## CORPORATE INFORMATION

### Principal bankers

Bank of China (Hong Kong) Ltd.  
Unit 702-706  
The Gateway Tower 3 (Prudential Tower)  
21 Canton Road, Tsim Sha Tsui  
Kowloon, Hong Kong

Bank of China Macau Branch  
Bank of China Building  
Avenida Doutor Mario Soares  
Macau

Chiyu Banking Corporation Ltd.  
Chiyu Bank Building  
78 Des Voeux Road  
Central, Hong Kong

Fortis Bank, Hong Kong Branch  
30th Floor, Fortis Bank Tower  
77-79 Gloucester Road  
Hong Kong

Citibank, N.A.  
21st Floor, Tower 1  
The Gateway Harbour City  
Tsim Sha Tsui  
Kowloon, Hong Kong

Bank of China Bangkok Branch  
179/4 South Sathorn Road  
Tungmahamek, Sathorn  
Bangkok 10120  
Thailand

Bangkok Bank Public Company Ltd.  
333 Silom Road  
Bangkok 10500  
Thailand

Agricultural Bank of China Limited  
Rizhao Branch  
No. 255 Beijing Road Central  
Rizhao, Shandong  
PRC

## CORPORATE INFORMATION

Bank of China Limited  
Rizhao Branch  
No. 60 Xinghai Road  
Rizhao, Shandong  
PRC

**Principal share registrar and  
transfer office in Cayman  
Islands**

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 609  
Grand Cayman KY1-1107  
Cayman Islands

**Branch share registrar and  
transfer office in Hong Kong**

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### INTRODUCTION

Cassava has its origin in Latin America where it has been grown by the indigenous Indian population for at least 4,000 years. After the discovery of the Americas, European traders took the crop to Africa as a potentially useful food crop. Later, it was also taken to Asia to be grown as a food security crop and for the extraction of starch. After the World War II, it has become an important industrial crop in Thailand, mainly to produce starch for local consumption and dried crops and later pellets for the rapidly growing European animal feed market. In Indonesia, the crop remains a food crop and is used in a great variety of dishes, except in southern Sumatra where it is now mainly grown for starch extraction.

Cassava is known to be a very drought-tolerant and water-efficient crop, while the crop is also exceptionally tolerant of high soil acidity and low levels of available phosphorus. Plantation regions are between the latitudes 30 degrees north and south, with altitude below 1,500 metres, annual average temperature of over 18°C, annual non-frost period of over 8 months, and annual rainfall of over 400 millimetres. Thus, cassava can compete with other crops such as corn, soybean and vegetables mainly in the areas of acid and low-fertility soils, and those with low or unpredictable rainfall, such as the northeast of Thailand, the central coast of Vietnam and in east Java, Indonesia, in Asia.

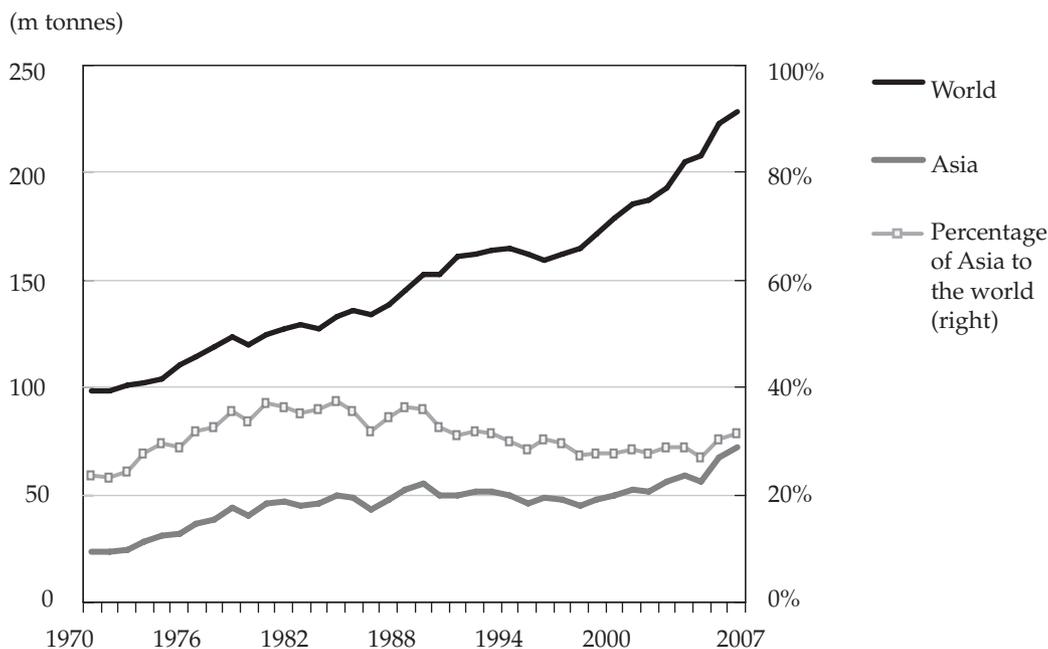
### The Production of Cassava

Based on the statistics from FAO, the production of cassava in the world had shown an overall uptrend for the period between 1970 and 2007. Production increased from approximately 99 million tonnes in 1970 to approximately 228 million tonnes in 2007, up approximately 131% over the period. The CAGR of the world production from 1970 to 2007 was approximately 2.3%. The growth of cassava production had accelerated after 1996. Between 1996 and 2007, the CAGR of the world production was approximately 3.4%.

In Asia, the cassava production had shown an overall uptrend. The production increased from approximately 23 million tonnes in 1970 to 72 million tonnes in 2007, up approximately 210% over the period. The CAGR of the production in Asia during the period was approximately 3.1%. However, the growth of production between late 1970s and late 1990s had been low. The production growth in Asia had accelerated after 1998. Between 1998 and 2007, the CAGR of the production in Asia was approximately 5.3%. The contribution of the production in Asia to the world's total production fluctuated during the period between 1970 and 2007, and such contribution amounted to approximately 23% in 1970 and approximately 31% in 2007.

## INDUSTRY OVERVIEW

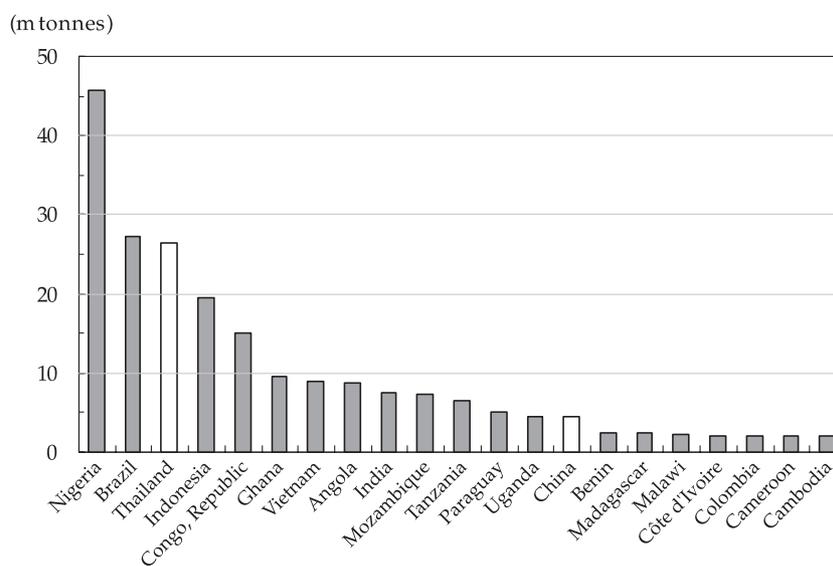
### The Production of Cassava in the World and Asia (2000–2007)



Source: Based on the statistics from the FAO of the UN.

In 2007, the top three cassava producing countries were Nigeria, Brazil and Thailand, with production of approximately 46 million tonnes, 27 million tonnes and 26 million tonnes respectively, representing approximately 20.1%, 12.0% and 11.6% of the total production in the world.

### Cassava Production Breakdown by Countries in 2007

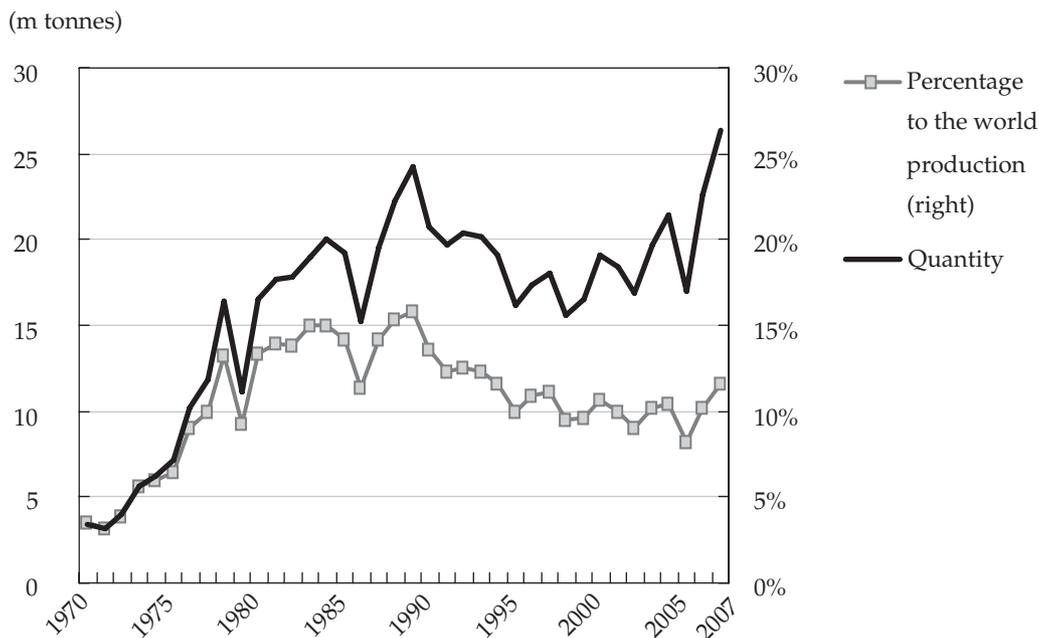


Source: Based on the statistics from the FAO of the UN.

## INDUSTRY OVERVIEW

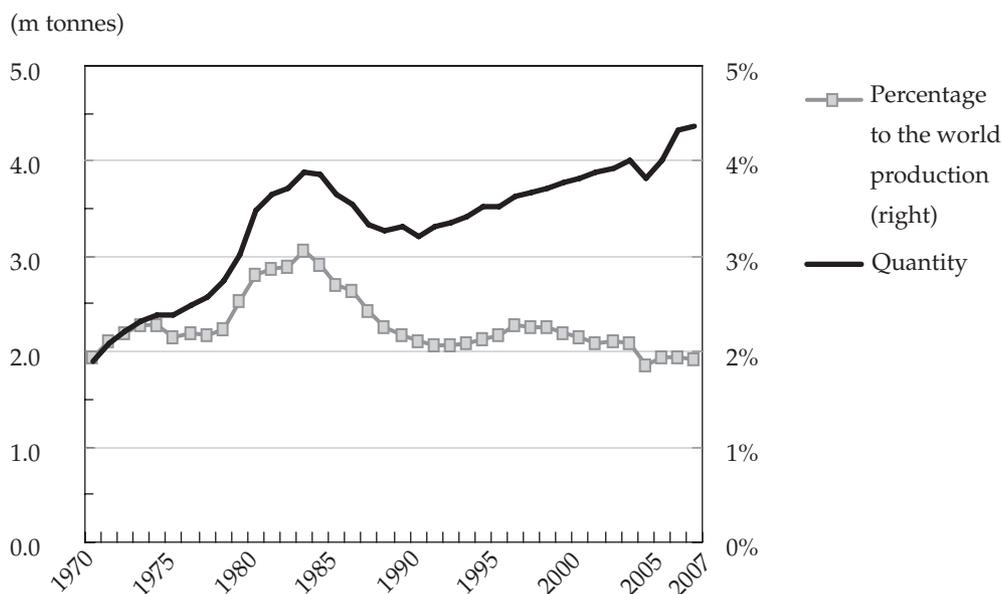
Being the third largest cassava producing country in 2007, Thailand's cassava production has shown an overall uptrend in the past decade. For the period between 1990 and 1998, the production experienced a downtrend, while an uptrend had revived from 1998 to 2007. In a TTTA's newsletter (30 September 2008 issue), TTTA estimated that the cassava supply for the 2008–09 crop season will be approximately 29 million tonnes.

**Cassava Production of Thailand (1970–2007)**



Source: Based on the statistics from the FAO.

**Cassava Production of China (1970–2007)**



Source: Based on the statistics from the FAO of the UN.

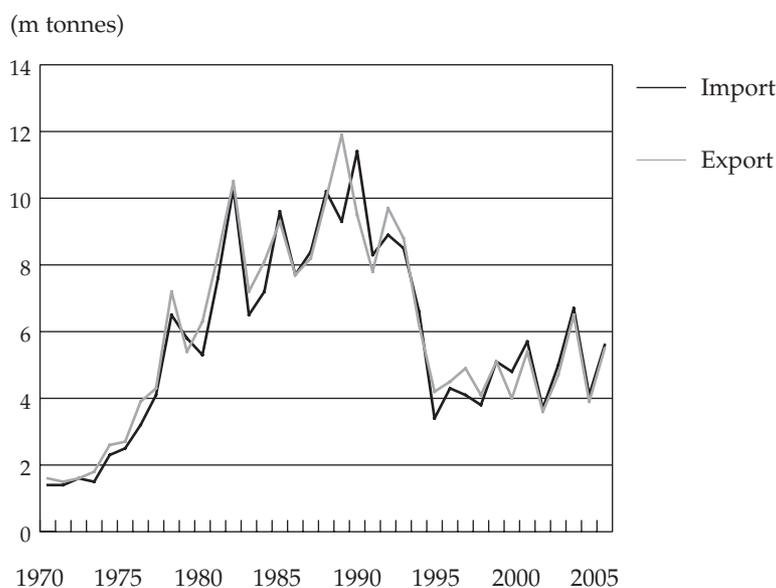
## INDUSTRY OVERVIEW

### The Import/Export Markets of Dried Cassava

The total import and export of dried cassava of the world shrank rapidly from approximately 11.4 million tonnes and approximately 9.5 million tonnes respectively in 1990 to approximately 3.4 million tonnes and approximately 4.2 million tonnes respectively in 1995, representing declines of approximately 70.1% and approximately 56.3% respectively.

For the period between 1995 and 2006, the import/export markets had been fluctuating. In 2006, the total import and export of dried cassava of the world were approximately 5.6 million tonnes and approximately 5.5 million tonnes respectively.

#### World Import/Export Markets of Dried Cassava (1970–2006)

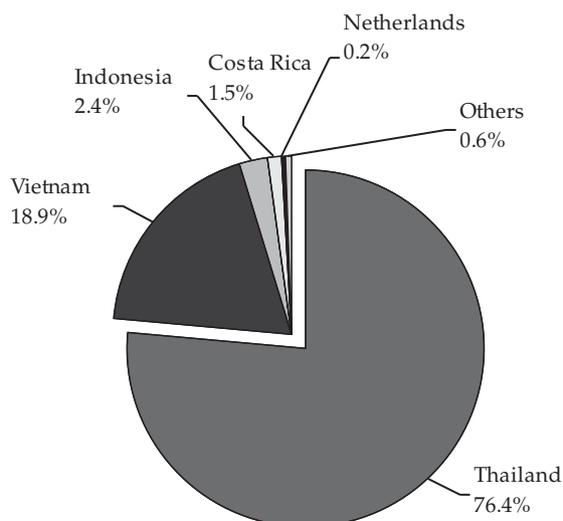


Source: Based on the statistics from the FAO of the UN.

Thailand was the largest dried cassava exporting country in 2006, with an export of approximately 4.2 million tonnes, representing a dominant market share of approximately 76.4%. Vietnam and Indonesia were the second and third largest exporting countries in 2006, with exports of approximately 1.0 million tonnes and approximately 0.1 million tonnes, representing market shares of approximately 18.9% and approximately 2.4% respectively. The total exports of the top three players in the export market contributed to approximately 97.8% of the total export of dried cassava in the world.

## INDUSTRY OVERVIEW

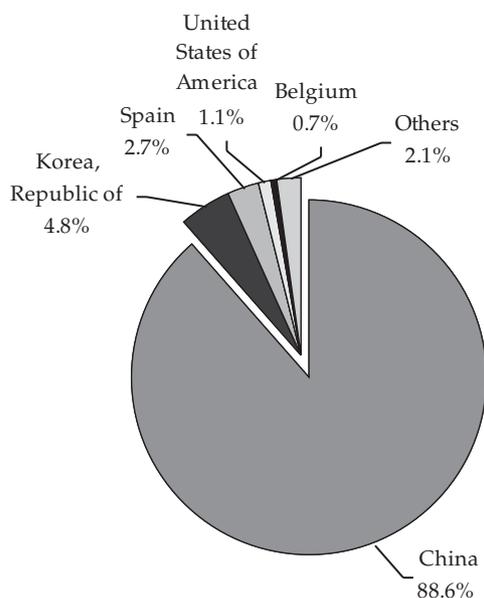
### Breakdown of World Dried Cassava Export Market by Countries in 2006



Source: Based on the statistics from the FAO of the UN.

China was the largest dried cassava importing country in 2006, with an import of approximately 5.0 million tonnes, representing a dominant market share of approximately 89%. Republic of Korea and Spain were the second and third largest players in the import market in 2006, with imports of approximately 0.3 million tonnes and 0.2 million tonnes, representing a market share of approximately 4.8% and 2.7% respectively. The total imports of the top three players in the import market contributed to approximately 96% of the total import of dried cassava in the world in 2006.

### Breakdown of the World Dried Cassava Import Market by Countries in 2006



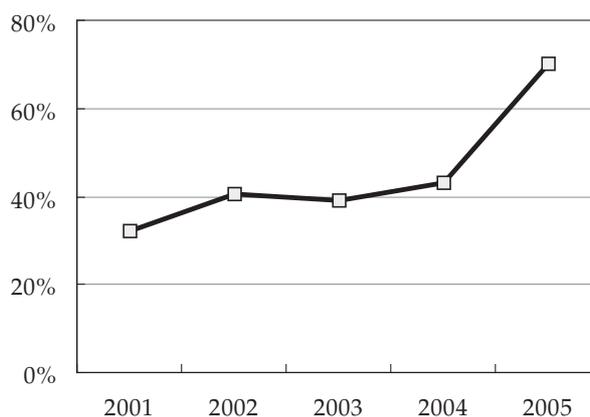
Source: Based on the statistics from the FAO of the UN.

## INDUSTRY OVERVIEW

### The Bilateral Dried Cassava Trade from Thailand to China

In 2005, Thailand's export of dried cassava to China accounted for a dominating 70% of the total export in the world. Thailand's export to China from 2001 to 2005 accounted for approximately 32%, 41%, 39%, 43%, 70% respectively of the total export in the world during the period. Between 2002 and 2005, the bilateral trade had been the largest bilateral dried cassava trade in the world, according to the statistics from FAO of the UN.

#### The Contribution of Thailand's Export of dried Cassava to China in the World's Total Export



*Source: Based on the statistics from the FAO of the UN.*

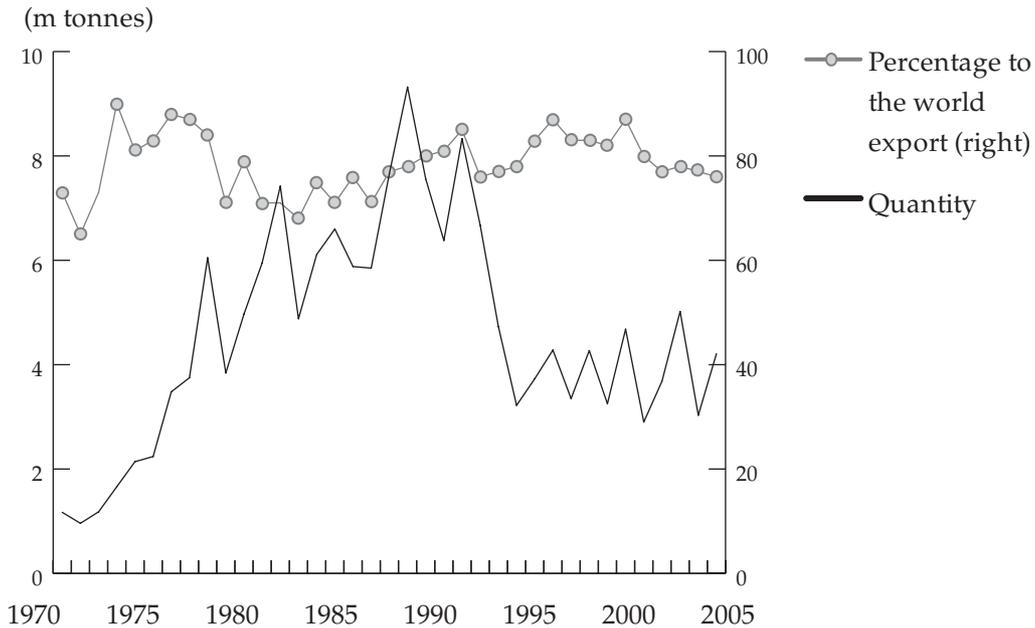
### The Dried Cassava Export Market of Thailand

Thailand had been the largest exporting country of dried cassava between 1970 and 2006, with a contribution to the total world exports of over 60% every year in the period. Thailand maintained a dominant market share in the world's dried cassava export market.

The export of dried cassava in Thailand decreased rapidly from approximately 9.3 million tonnes in 1989 to 3.2 million tonnes in 1995, representing a CAGR of approximately minus 16%. Based on the statistics from the TTTA annual reports for 2007, the export of dried cassava chips and pellets was approximately 4.8 million tonnes.

# INDUSTRY OVERVIEW

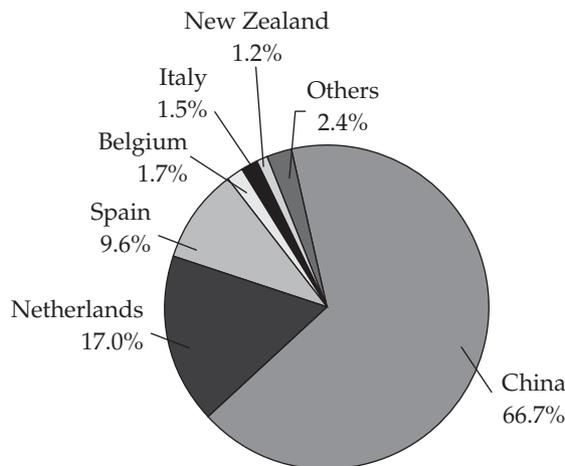
## Export of Dried Cassava from Thailand (1970-2006)



Source: Based on the statistics from the FAO.

Based on the 2007 annual report of TTTA, in 2007, China was the largest importing country of dried cassava chips and pellets from Thailand, with an import of approximately 3.2 million tonnes, representing approximately 67% of the Thailand's total exports. The second and third largest players were Netherlands and Spain, which accounted for approximately 17% and approximately 10% of Thailand's total exports respectively.

### Breakdown of Export of Dried Cassava Chips and Pellets from Thailand by Importing Countries in 2007



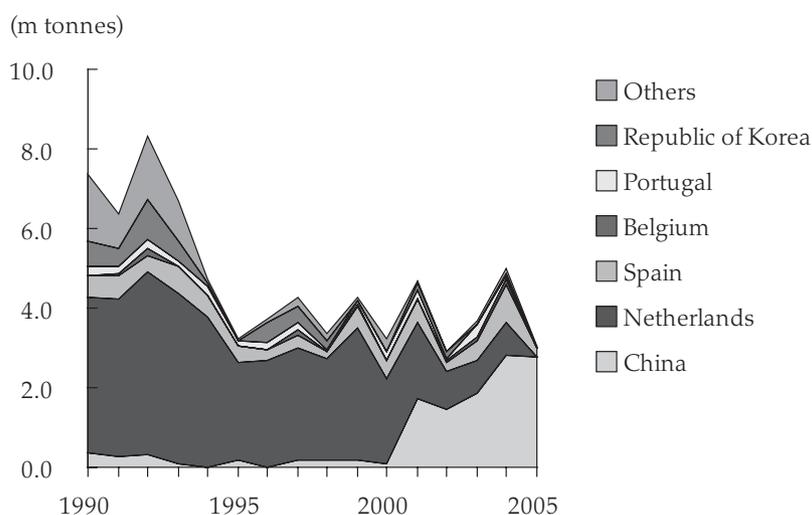
Source: Based on the statistics from TTTA annual report.

*Note:* The TTTA reports are not commissioned by either the Company or the Sponsor and are published annually by the TTTA, an Independent Third Party. TTTA is a trade association established in 1963 in Thailand. According to TTTA, the statistics in the TTTA reports are obtained by TTTA from, among others, the Customs Department of Thailand, exporters, and officials of the Board of Trade of Thailand.

## INDUSTRY OVERVIEW

Based on the annual reports of TTTA, China was the largest importing country of dried cassava chips and pellets from Thailand between 2002 and 2007. Based on the statistics from the FAO, the contribution of China's imports to Thailand's total exports increased rapidly from approximately 37% in 2001 to approximately 91% in 2005. The export from Thailand to China increased by approximately 35 times from approximately 0.08 million tonnes in 2000 to approximately 2.76 million tonnes in 2005. Between 2002 and 2005, China had displaced the European importing countries and became the largest importer of dried cassava from Thailand. The total contribution in Thailand's exports to Netherlands, Spain and Portugal, which were the largest, third largest and fourth largest importing countries from Thailand respectively in 2001, shrank from approximately 58% in 2001 to approximately 8% in 2005. From 1990 to 2001, European countries had been the major export markets of dried cassava from Thailand.

### The Export of Dried Cassava from Thailand by Countries (1990–2005)

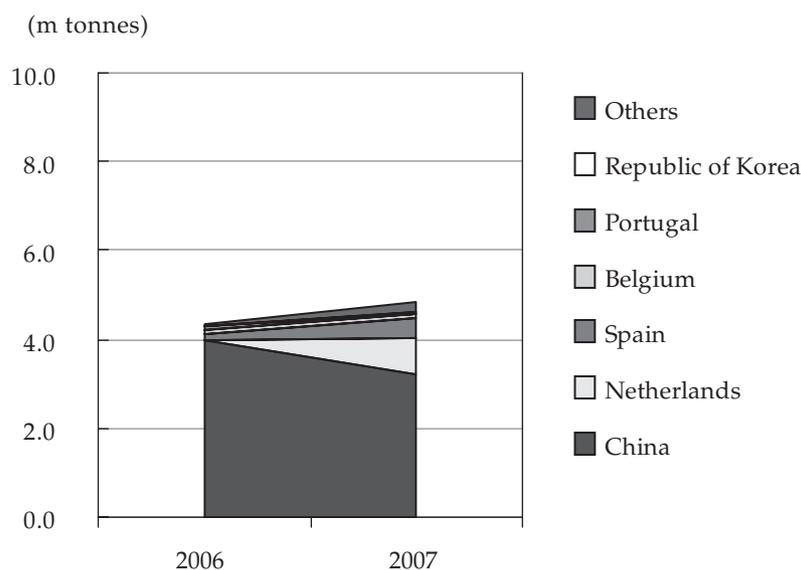


Source: Based on the statistics from the FAO.

## INDUSTRY OVERVIEW

Based on the information from the TTTA annual reports, Thailand's exports of cassava chips to China in 2006 were approximately 3.96 million tonnes, which increased by approximately 43% from approximately 2.77 million tonnes in 2005. However, the export of cassava chips and pellets to China reduced subsequently to 3.22 million tonnes in 2007, representing a decrease of approximately 19% as compared with that in the previous year. The market share of China decreased from approximately 91% in 2006 to approximately 67% in 2007. The total market share of Netherlands, Spain and Portugal increased from approximately 6% in 2006 to approximately 27% in 2007.

### The Export of Dried Cassava Chips and Pellets from Thailand by Countries in (2006–2007)

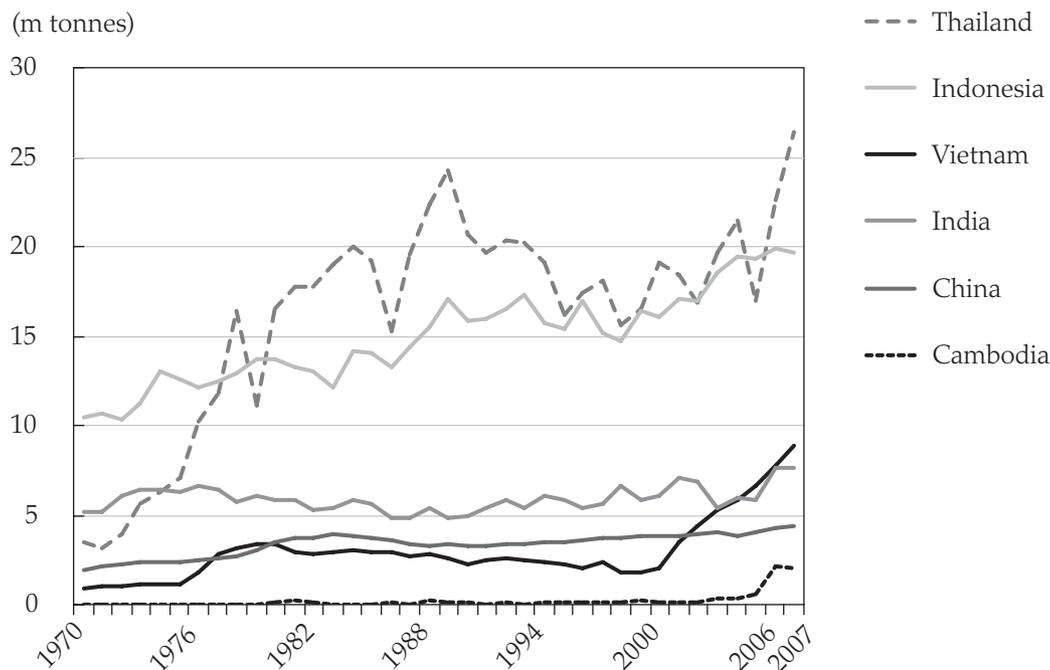


*Source: Based on the statistics from the TTTA annual reports.*

In 2007, the six largest major cassava producing countries in Asia included Thailand, Indonesia, Vietnam, India, China and Cambodia. In 2007, the total cassava production of these countries represented approximately 96% of that in Asia. Thailand was the largest cassava producing country in Asia from 1980 to 2007, except in 2002 and 2005. In Vietnam, the cassava production declined during the 1980s and 1990s as the economy improved and the production of rice increased. Between 2000 and 2003, the cassava production rapidly increased in Vietnam in order to meet the internal demand for starch, and for export of products. Between 2000 and 2007, cassava production in Vietnam increased by approximately 3.5 times.

## INDUSTRY OVERVIEW

### Cassava Production in the Largest Cassava-Producing Countries in Asia in 2007 (1970–2007)

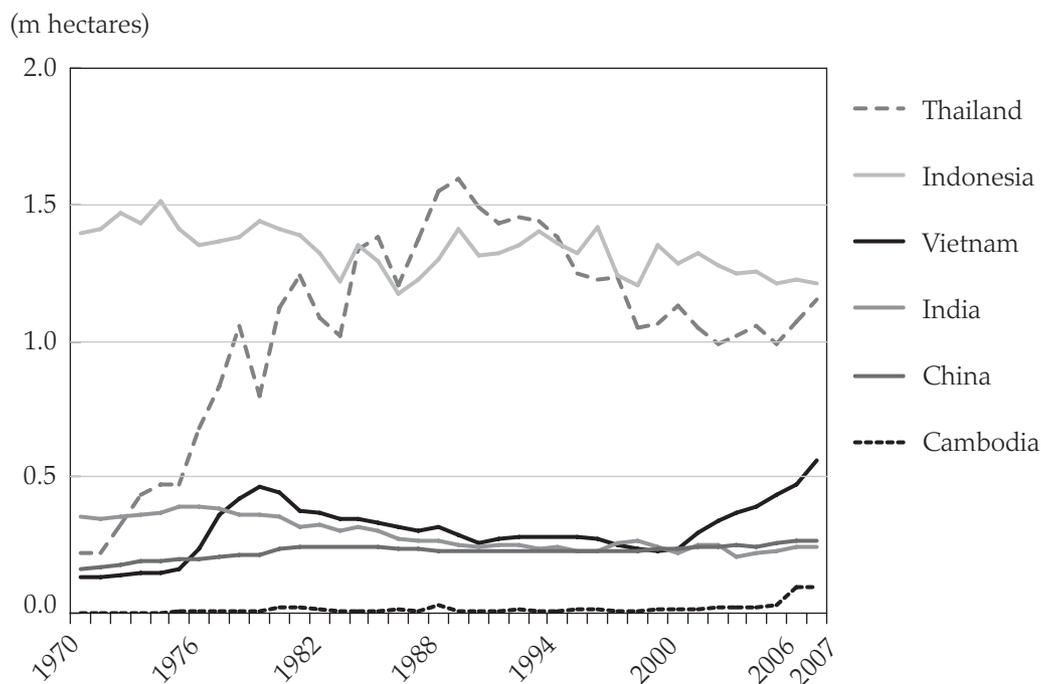


Source: Based on the statistics from the FAO of the UN.

In terms of harvested area, Thailand and Indonesia were the two largest cassava plantation countries in Asia in mid-1970s. Since 1990s, the harvested area in Thailand had shown an overall decrease, although the cassava production of the country showed a general uptrend from 1998 to 2007. This was because the yield of the cassava plantation in Thailand showed a general upward trend. In Vietnam, the production growth was supported by the increases in harvested area and the plantation yield.

## INDUSTRY OVERVIEW

### The Cassava Harvested Area of the Largest Cassava-Producing Countries in Asia in 2007 (1970–2007)



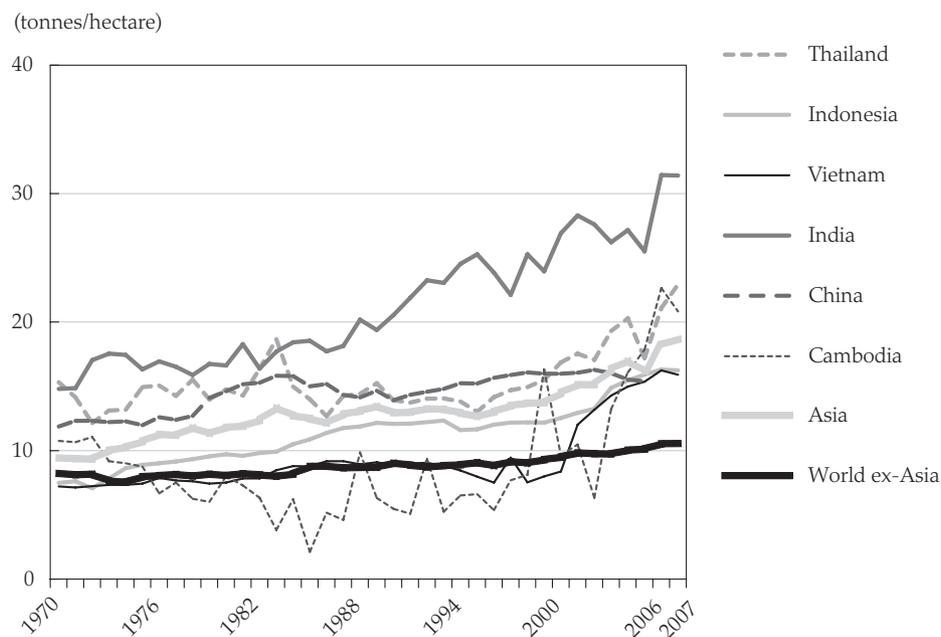
Source: Based on the statistics from the FAO of the UN.

In 2007, the plantation yield of cassava in Thailand was approximately 22.9 tonnes per hectare of harvested area. Between 1970 and 2007, the annual plantation yield of Thailand had always been higher than those in Indonesia, Vietnam, and the Asian average. Between 1971 and 2007, although the plantation yield of India was generally higher than that in Thailand (save for 1983), the harvested area in India was smaller than that in Thailand (save for 1971 and 1972). Therefore, cassava production in India was lower than that in Thailand between 1975 and 2007

In Asia, the cassava production showed an overall uptrend. The increase in production was supported by the improvement in plantation yield over the period. In 1970, the plantation yield in Asia was approximately 9.4 tonnes per hectare, while that of the rest of the world was approximately 8.2 tonnes per hectare. The advantage in Asia further expanded over the years. In 2007, the yield in Asia was approximately 18.7 tonnes per hectare while that of the rest of the world was approximately 10.5 tonnes per hectare.

## INDUSTRY OVERVIEW

### The Cassava Plantation Yield of the Largest Cassava-Producing Countries in Asia in 2007 (1970–2007)



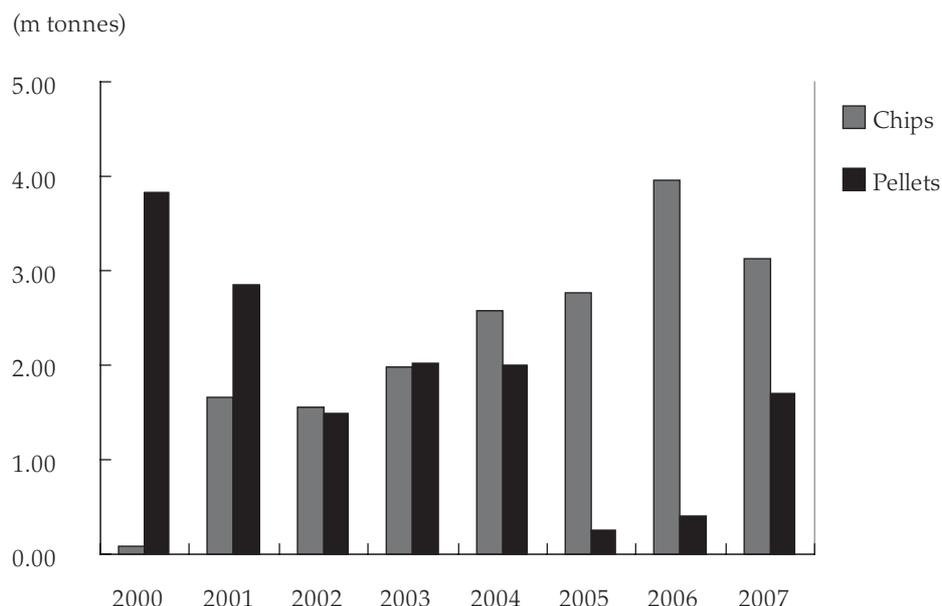
Source: FAO of the UN.

According to the article *Cassava in Asia* published in the Annual Report 2004 of TTTA, production costs for advanced farmers in Thailand are higher than those in Indonesia and the Philippines, but lower than in Vietnam, China and India. When measured in per tonne of fresh roots, production costs in Thailand are slightly higher than those in Indonesia and the Philippines, but lower than those in India and China.

Cassava production in Thailand increased rapidly in 1970s and 1980s partly because of the growing demand for animal feed in Europe. However in the late 1980s, cassava became less competitive in Europe with locally produced barley. The export of dried cassava in Thailand decreased rapidly from approximately 9.3 million tonnes in 1989 to approximately 3.2 million tonnes in 1995, representing a CAGR of approximately minus 16%. The drastic reduction of dried cassava export to Europe was partially offset by the increasing demand of cassava chips in China. Between 2000 and 2006, while the export of dried cassava pellets from Thailand overall declined, the export of cassava chips from Thailand overall increased.

## INDUSTRY OVERVIEW

### The Exports of dried Cassava Chips and Pellets in Thailand (2000–2007)



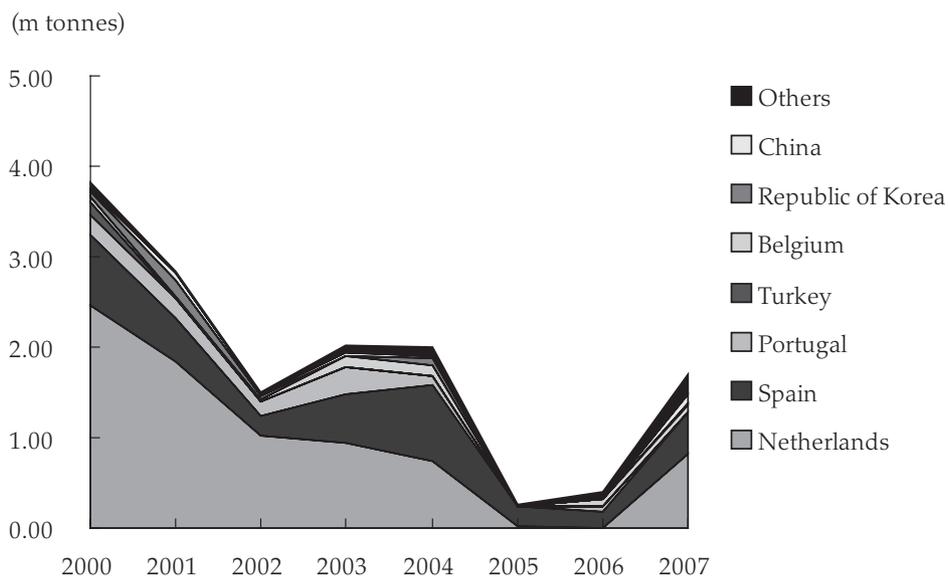
Source: Based on the statistics from the TTTA annual reports.

Export market of dried cassava pellets from Thailand were mainly dominated by European countries. Between 2000 and 2007, the total contribution of the European countries (including Turkey) and China to the Thai export of dried cassava pellets was approximately 93.0% and 1.8% respectively.

In contrast, China played a dominating role in the export market of dried cassava chips from Thailand from 2000 to 2007. In 2000, when Thailand's export of dried cassava chips amounted to approximately 95,170 tonnes, export to China amounted to approximately 73,900 tonnes, accounting for approximately 77.7% of the total export of dried cassava chips from Thailand. Since 2001, however, the export of dried cassava chips from Thailand to China generally surged. Between 2001 and 2007, the average annual export of dried cassava chips from Thailand was approximately 2.5 million tonnes. The total contribution of export to China over the period was approximately 99.9%. Essentially, nearly all the dried cassava chips exported from Thailand went to China, according to the statistics from the annual reports of TTTA.

## INDUSTRY OVERVIEW

### The Country Breakdown of Dried Cassava Pellet Export in Thailand (2000–2007)

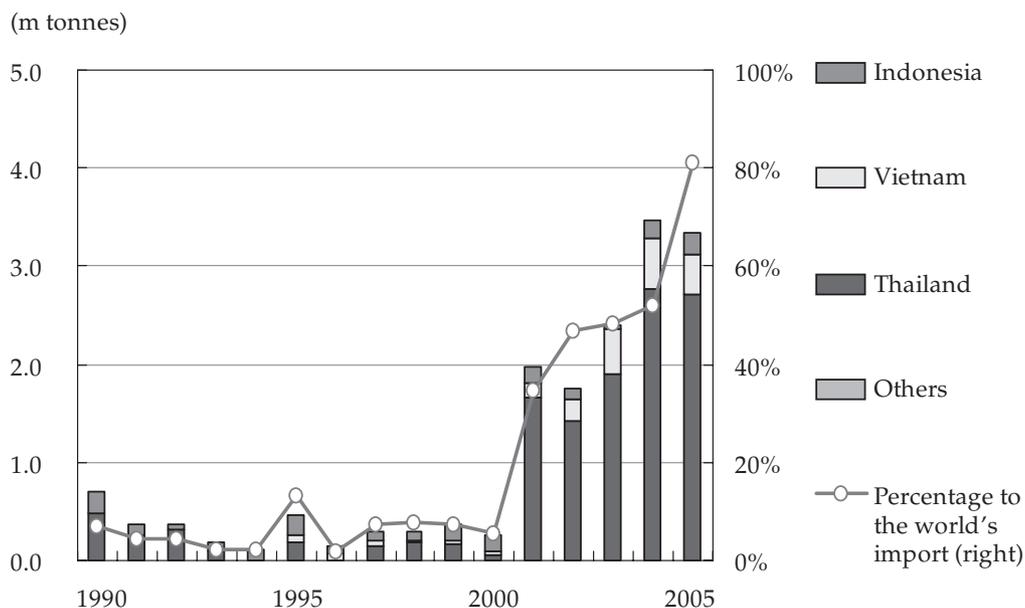


Source: Based on the statistics from the TTTA annual reports.

### The Dried Cassava Import Market of China

China was the largest importing country of dried cassava in the world between 2001 and 2006. The contribution of the China import to the total world imports increased from approximately 5% in 2000 to approximately 89% in 2006. Between 2000 and 2005, China's dried cassava import increased approximately 12 times from approximately 0.26 million tonnes to approximately 3.3 million tonnes, representing a CAGR of approximately 67%.

### Import of Dried Cassava in China (1990–2005)

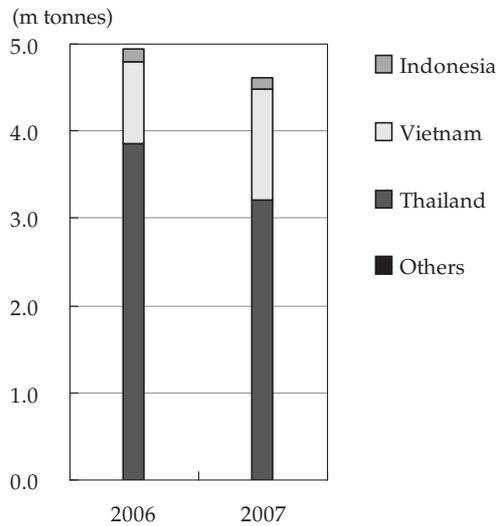


Source: Based on the statistics from the FAO.

## INDUSTRY OVERVIEW

Based on the Cassava Market Report, with cited statistics from China Customs, China's dried cassava import increased by approximately 43% from approximately 3.3 million tonnes in 2005 to approximately 4.9 million tonnes in 2006. In 2007, although the import dropped approximately 7% to approximately 4.6 million tonnes, it is still 38% higher than that in 2005.

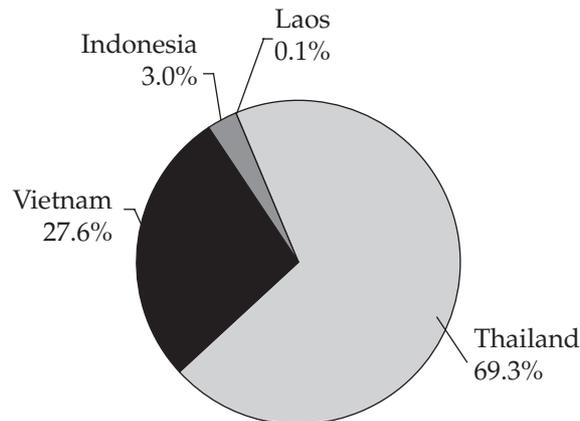
### Import of Dried Cassava in China (2006–2007)



Source: Cassava Market Report (defined below).

In 2007, Thailand was the largest exporting country of dried cassava to China, with an export of approximately 3.2 million tonnes, representing approximately 69% of the total China import. In 2007, other imports were mainly from Vietnam and Indonesia, which contributed to approximately 28% and 3% of China's total import respectively.

### Breakdown of the China Dried Cassava Import by Exporting Countries in 2007



Source: Cassava Market Report (as defined below).

## INDUSTRY OVERVIEW

### Production and Application of Cassava in China

According to the Cassava Market Report<sup>Note</sup>, major cassava production regions in the PRC are located in five provinces, namely Guangxi, Guangdong, Hainan, Yunnan and Fujian, of which Guangxi contributed to over 60% of the total harvesting area and production in the PRC. In the PRC, cassava is processed to produce mainly cassava starch and alcohol and a small amount for modified starch and other derived products. Production of one tonne of alcohol requires consumption of approximately 6.8 tonnes of fresh cassava or approximately 3.1 tonnes of cassava chips.

In 2007, approximately 8.6 million tonnes of dried cassava were consumed in the PRC, of which approximately 4.0 million tonnes were contributed by domestic production and 4.6 million tonnes were imported, representing approximately 46% and 54% of the total consumption in the PRC respectively. Alcohol production was a major application of the imported dried cassava in the PRC, accounting for approximately 95.0% of the total consumption of imported dried cassava.

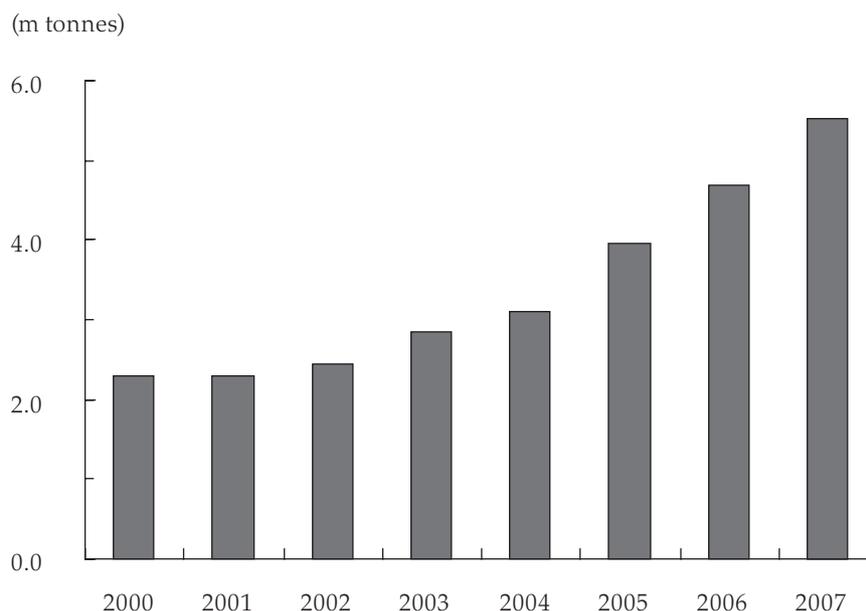
According to the Cassava Market Report, the production of alcohol in the PRC increased by approximately 140% from approximately 2.3 million tones in 2000 to approximately 5.5 million tones in 2007, representing a CAGR of approximately 13%. The production of alcohol experienced high growth in the past few years. A key reason of the growth is the increased demand in the international market. Further, the tax rebate policy improved the profit for the export of alcohol. The plentiful harvest of grains in the late 1990s' provided the incentive for alcohol production especially in the regions with raw material advantages such as Jilin, Heilongjiang and Inner Mongolia. The government policies which encouraged production of ethanol fuel as renewable energy also drove the production of alcohol. According to 《可再生能源中長期發展規劃》(The Mid- and Long-term Development Plan for Renewable Energy) ("Renewable Energy Plan"), the PRC government recognizes that liquid bio-fuel is as an important substitute of petroleum and comprises mainly ethanol fuel and bio-diesel. The Renewable Energy Plan also provides for the establishment of raw material supply bases in scale and large liquid bio-fuel processing enterprises.

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*Note:* On behalf of the Company, the Sponsor commissioned Beijing Wefore Investment Consulting Co., Ltd. (北京世經未來投資諮詢有限公司) ("Beijing Wefore"), an Independent Third Party, to issue the Cassava Market Report. According to the information provided by Beijing Wefore, Beijing Wefore is a consultancy subordinated to 中國經濟導報社 ("China Economic Herald") under the NDRC. Its research department comprises over 50 analysts and consultants and over 100 professionals engaged by Beijing Wefore. Beijing Wefore provides research and consulting services in, among others, energy and commodity industries. According to Beijing Wefore, their figures and information are sourced from among others, the PRC Customs, the Ministry of Agriculture and the National Bureau of Statistics of the PRC or its independent research. The fees paid to Beijing Wefore are on normal commercial terms. The report was prepared based on existing statistics, the supply and demand situations in the industry, the comprehension of the country's industrial policies, the analysis of the overall economic environments in China and abroad, and the stable growth of energy demand driven by the economic development in China.

## INDUSTRY OVERVIEW

### Alcohol Production in China (2000–2007)



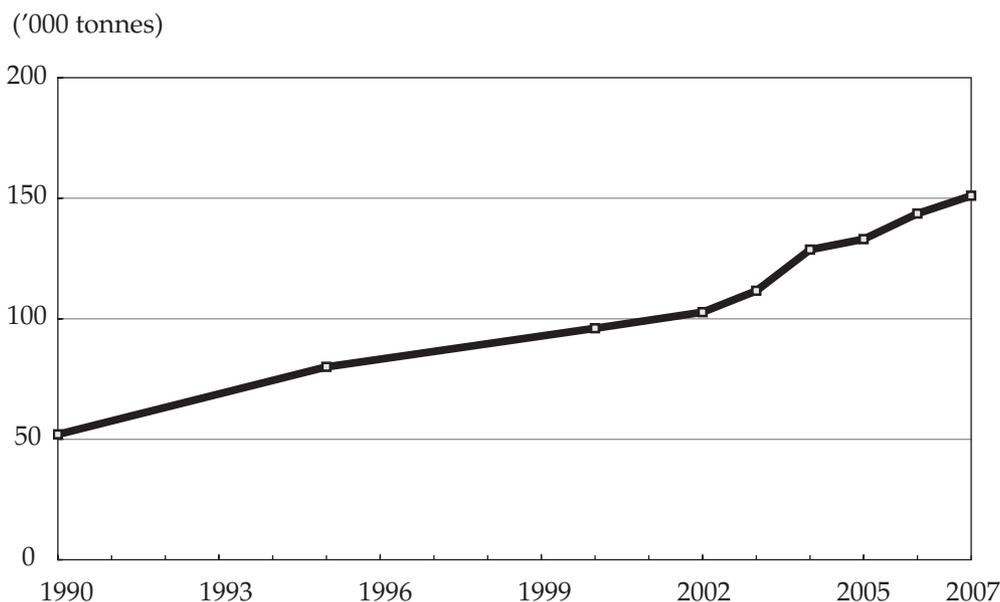
Source: *The Cassava Market Report, May 2008*.

According to the report *China, Peoples Republic of, Bio-fuels Annual 2008*, published by USDA (United States Department of Agriculture) Foreign Agricultural Service in June 2008, total ethanol production in the PRC in 2007 is estimated at 6 million tonnes. Among them, 1.4 million tonnes is denatured for ethanol fuel use, about 2.5 million tonnes for food use. The remainder is used for industrial and surgical applications. About 50% of total ethanol production is based on grains (mostly corn, but including sorghum, wheat, and rice) with the remainder based on tubers, including cassava and sweet potatoes.

Being a fast growing developing country, China has a rising demand for fuel. In 2007, the average daily consumption of gasoline in China was approximately 151 thousand tonnes, representing an annual consumption of approximately 55 million tonnes. Between 1990 and 2007, the average daily consumption of gasoline increased by approximately 190% from approximately 52 thousand tonnes to approximately 151 thousand tonnes, representing a CAGR of approximately 6.9%.

## INDUSTRY OVERVIEW

### Daily consumption of Gasoline in China (1990–2007)



Source: China Statistical Yearbook 2008.

### The Policy for the Development of Renewable Energy in China

According to 《中國的能源狀況與政策》(The Situation and Policy of Energy in China) announced by The State Council Information Office of the PRC (中華人民共和國國務院新聞辦公室) in December 2007, China is the second largest energy producer and consumer in the world. However, the energy reserve per capita is relatively low. The high quality energy resources are relatively insufficient. The energy efficiency is low. The energy consumption mainly relies on coal. The pressure for environmental protection is increasing. In order to enhance the energy supplies capability, one of the energy policies is to enhance the development of renewable energy.

According to the Renewable Energy Plan, energy is an important material foundation of economic and social development. China has become a major player in energy production and consumption in the world, although the energy consumption per capita is still low. Due to the continuous economic and social development, the demand for energy in China will continue to rise.

Renewable energy includes hydropower, bio-energy, wind power, solar energy and others. They have the advantages of high reserves, low pollution and sustainable consumption. However, renewable energy consumption in China has been very low compared to total PRC energy consumption, while technological improvement is slow and the industrial foundation is weak. In the Eleventh Five-Year Plan, the production and consumption of renewable energy was encouraged by the implementation of favourable taxation, preferential investment policies, and mandatory market share policies.

## INDUSTRY OVERVIEW

According to the Renewable Energy Plan, the direction of developing modern bio-energy involves the transformation of biological substances into high quality energy, including electricity, gas fuel, and liquid fuel, which will become the most widely used renewable energy technology. China has started to use ethanol fuel in transportation fuel. The production capacity of ethanol fuel from grain feedstock was 1.02 million tonnes. The production of ethanol fuel from non-grain feedstock has initially met the conditions for commercial development.

According to the recent policies 《國家發展改革委關於加強玉米加工項目建設管理的緊急通知》 (Urgent Circular on Strengthening Management of Corn Processing Projects by the National Development and Reform Commission), the Renewable Energy Plan, 《關於促進玉米深加工業健康發展的指導意見》 (Guided Opinion on Facilitation of the Healthy Development of Corn Refined Processing Industry) and 《可再生能源發展“十一五”規劃》 (Development Plan for Renewable Energy in the 11th Five-Year Plan), announced by the NDRC in December 2006, August 2007, September 2007 and March 2008, respectively, the PRC government will encourage the production and consumption of ethanol fuel to substitute petrol. However, the PRC government has set out the non-competition for grain with people and non-competition for harvest land with grain (“不與民爭糧，不與糧爭地”) as the principles for the development of bio-fuels and corn will be used with priority for, among others, animal feeds and food. The current emphasis of the PRC government is to develop ethanol fuel technologies that apply non-grain feedstock, such as cassava, as raw materials for production of ethanol fuel. As a matter of national direction, the production capacity of ethanol fuel projects with grain feedstock, such as maize, as raw material will not be increased in the PRC. Cassava is a type of tuberous plant and is used in the production of ethanol fuel. According to the Renewable Energy Plan, the targets are to increase the production of ethanol fuel by non-grain feedstock to 2 million tonnes by 2010 and to 10 million tonnes by 2020. These will be equivalent to a substitute of 10 million tonnes of petroleum by 2020.

### **The Bio-fuel Sector in the PRC**

According to the report *China, Peoples Republic of, Bio-fuels Annual 2008*, food security has been a top issue on the PRC government agenda. Escalating food prices since 2007 have triggered a series of policy shifts in the industrial use of grain. The PRC policy prescribed that ethanol fuel development should not compete for arable land designated for crops for human consumption. The future development of feedstock for bio-fuel will necessarily have to come from the marginal, less arable land, and therefore the increase of tuber crops and sweet sorghum is a realistic expectation. Some provincial governments and private companies are experimenting with sweet potato and sweet sorghum as feedstock for bio-fuel production. However, current production of such crops is far from sufficient for scaled industrial ethanol production. The supply of such feedstock has been seasonal, low yielding and simply not suitable for industrial production.

## INDUSTRY OVERVIEW

According to the report *China, Peoples Republic of, Bio-fuels Annual 2008*, as at June 2008, ten provinces participated in the ethanol fuel program. These ten provinces will remain the priority for use of an E10 gasoline (with a fuel/ethanol mix rate of 10 percent). Six of these provinces use E10 within their entire provinces while four provinces have only partly adopted the product. Close to full adoption by these four provinces remains a priority for the government's fuel ethanol program.

### Participation of the Ethanol Fuel Program in the PRC

Province	E10 Mandates
Heilongjiang	Entire province
Jilin	Entire province
Liaoning	Entire province
Henan	Entire province
Anhui	Entire province
Guangxi	Entire province
Hebei	Major cities only
Shangdong	Major cities only
Jiangsu	Major cities only
Hubei	Major cities only

*Source: China, Peoples Republic of, Bio-fuels Annual 2008, published by USDA Foreign Agricultural Service, June 2008.*

### Other Non-grain Feedstock for Ethanol Production in the PRC

According to the report *China, Peoples Republic of, Bio-fuels Annual 2007*, published by USDA Foreign Agricultural Service in June 2007, on a per weight basis sweet sorghum has relatively low yields as much of the plant is composed of cellulose which cannot be economically processed with current technologies. It takes 15 tonnes of sweet sorghum to produce 1 tonne of ethanol. On a per weight basis, dry tubers (cassava and sweet potatoes) have the lowest conversion ratio to ethanol because of a low water weight and high starch composition.

Feedstock	Yield (Feedstock to Ethanol)/Tonne
Corn	3.2 to 1
Dry Tubers (cassava and sweet potatoes)	2.9 to 1
Fresh Tubers (cassava and sweet potatoes)	7.8 to 1
Fresh Sweet Sorghum (whole plants*)	15 to 1

\*Note: the whole sweet sorghum plant has a sugar content level ranging between 15–20%.

*Source: China, Peoples Republic of, Bio-fuels Annual 2007, published by USDA Foreign Agricultural Service, June 2007.*

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*Note:* Both of the reports *China, Peoples Republic of, Bio-Fuels Annual 2007* and *China, Peoples Republic of, Bio-Fuels 2008* are published by the United States Department of Agriculture, which is a government department of the United States of America. These reports are public information available in the Internet.

## INDUSTRY OVERVIEW

According to the report *China, Peoples Republic of, Bio-fuels Annual 2008*, compared with grains (such as corn, wheat, and rice), non-grain feed stocks such as tubers (including cassava) and sweet sorghum have a higher ethanol yield. The average corn yield in the PRC is about 40% lower than the United States biotech corn. It is highly unlikely that in the short term, the PRC will approve any biotech grain crops for commercial production. Therefore, the yield improvement for domestic grain crops in the PRC will be limited. This low crop yield partially impacts the productivity and future grain-based ethanol production in the PRC.

### Current Ethanol Fuel Yield Data

Feedstock	Crop yield (tonne/hectare)	Ethanol yield (tonne/hectare)
Corn	5	1.6
Tuber (Cassava)	22.5	3
Fresh sorghum	60–90	5

*Source: China, Peoples Republic of, Bio-fuels Annual 2008, published by USDA Foreign Agricultural Service, June 2008.*

According to the report *China, Peoples Republic of, Bio-fuels Annual 2008*, sweet sorghum can potentially render the highest ethanol yield among all alternative non-grain feed stocks in the PRC. However, its availability is constrained by limited arable land and the seasonal supply, hence hindering large scale production in the PRC. To extend the processing season, the PRC researchers and the industry are working on a prolonged storage methodology for fresh sweet sorghum. So far, there are no commercial ethanol plants based on sweet sorghum. Similar to other countries, cellulosic ethanol is not commercially viable in the PRC. Currently, there are two major testing plants in the PRC, located in Henan and Heilongjiang respectively. The plant in Henan is in a trial stage of 300 tonnes annually, taking wheat straw as feedstock, while the plant in Heilongjiang, with a trial stage of 500 tonnes annually, uses corn stover as feedstock. Both plants were jointly funded by the government and state companies. State media reports that these plants are planning to expand their trial capacity in 2008, however, industry experts are not confident that the technology will materialize commercial production of cellulosic ethanol in the PRC in the short term.

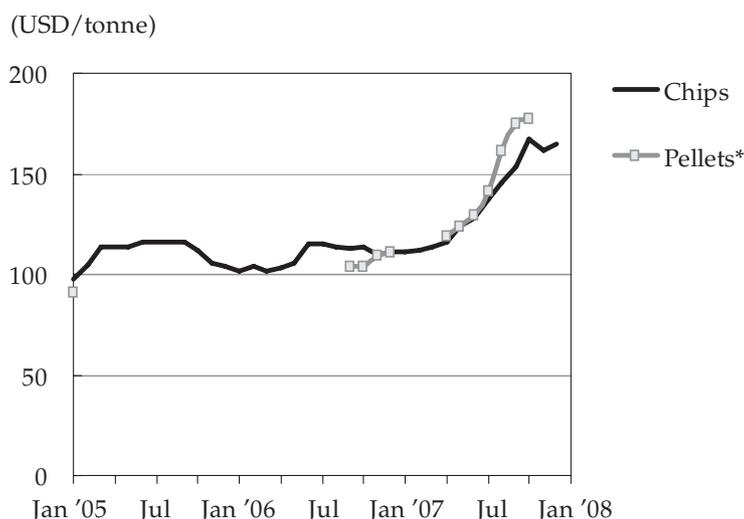
## INDUSTRY OVERVIEW

### The Price Trend of Dried Cassava Chips and Pellets

The export price of the cassava chips in Thailand had been relatively stable between 2005 and 2006, where the price range was between USD98 (equivalent to approximately HK\$760) and USD116 (equivalent to approximately HK\$900) per tonne FOB Bangkok. However, the export price of cassava chips increased substantially by approximately 49% from USD111 (equivalent to approximately HK\$870) per tonne FOB Bangkok in December 2006 to USD165 (equivalent to approximately HK\$1,300) per tonne FOB Bangkok in December 2007.

In 2007, the export price of dried cassava pellets also rose. The average export price of dried cassava pellets used to be lower than that of cassava chips in 2005 and 2006. However, the export price of the dried cassava pellets overtook that of cassava chips in 2007. In 2007, the growth in export volume of dried cassava pellets from Thailand also overtook that of dried cassava chips.

**Monthly F.O.B. Price of dried Cassava Chips and Pellets in Bangkok  
(January 2005–December 2007)**



*Note: \* All the export prices of dried cassava pellets quoted by TTTA between 2005 and 2007 have been included in this chart, although they are not quoted every month.*

*Source: Based on the information from the TTTA annual reports.*

According to the TTTA Newsletters between January 2008 and January 2009, the range of the export price of dried cassava chips gradually rose from between USD167 (equivalent to approximately HK\$1,300) and USD172 (equivalent to approximately HK\$1,300) per tonne in January 2008 to between USD188 (equivalent to approximately HK\$1,500) and USD192 (equivalent to approximately HK\$1,500) per tonne in May 2008, and maintained at a level between USD180 (equivalent to approximately HK\$1,400) and USD190 (equivalent to approximately HK\$1,500) per tonnes during June to August 2008, subsequently decreased to USD110 (equivalent to approximately HK\$858) per tonne in January 2009. From January 2008 to January 2009, the price range of dried cassava pellets was not quoted in the TTTA Newsletters.

## INDUSTRY OVERVIEW

### REGULATIONS IN RELATION TO THE GROUP'S BUSINESS

As advised by the Company's PRC legal advisers, the Group has obtained the relevant 《中華人民共和國海關進出口貨物收發貨人報關註冊登記證書》 (Registration Document for Customs Declaration of Consignees and Consigners of Import and Export Goods of the Customs of the PRC) to carry on its import business in the PRC. According to 《中華人民共和國進境動植物檢疫審批管理辦法》 (Administrative Regulations of the People's Republic of China on the Approval of Import of Animal and Plant Quarantine), a 《進境動植物檢疫許可證》 (Imported Animal and Plant Quarantine Permit) must be obtained prior to the entering into of the relevant trade agreement. According to 《中泰蔬菜水果協議》 (Sino-Siam Fruits and Vegetables Agreement) dated 18 June 2003, cassava chips imported from Thailand are exempted from customs duties.

The Directors are not aware of any quota systems on the export of dried cassava chips from Thailand, Vietnam, Indonesia, Laos and/or Cambodia to China. The Directors are also not aware that cassava chips imported into the PRC from Vietnam and Indonesia are subject to customs duties.

As advised by the Company's Thai legal advisers, export of products from Thailand is subject to no value added tax. Export of cassava and cassava chips to any country, including China, is exempted from customs duty under the Decree No. 30 issued pursuant to the Customs Act of Thailand. With reference to the laws of Thailand, including the Foreign Business Act, a company established in Thailand with 50% or more of its issued shares being held by foreign national shareholders is entitled to engage in the business of purchasing, processing and export of cassava chips. Under the laws on exporting of standard commodity, an exporter of cassava product must obtain a certificate showing the registration as exporter of standard commodity from the Office of the Commodity Standard of Thailand, which is subject to renewal every year, and an export license from the Foreign Trade Department of the Ministry of Commerce of Thailand for each export transaction. One pre-requisite qualification of the exporter to obtain the certificate from the Office of the Commodity Standard of Thailand is that the exporter must be a member of any association relating to cassava products.

As advised by the Company's PRC legal advisers, the Company's listing does not require the approval from the China Securities Regulatory Commission (CSRC) according to the 《國務院關於進一步加強在境外發行股票和上市管理的通知》 (Circular of State Council, Further Strengthening Administration of the Issue and Listing of Shares Outside China). The PRC legal advisers also opined that the Group is not subject to 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (Circular on Issues Relevant to Foreign Exchange Control with Respect to the Round-trip Investment of Funds raised by Domestic Residents through Offshore Special Purpose Companies) as the controlling shareholder of Rizhao Yushun, namely Mr. Chu, is not a domestic resident as defined in the said notice. In addition, the Company's PRC legal adviser advised that the Group is not subject to the restriction and supervision under the 《關於外國投資者併購境內企業的規定》 (Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the Mainland) since Rizhao Yushun has been a wholly foreign-owned enterprise since its establishment on 19 July 2001.

## HISTORY AND DEVELOPMENT

### BUSINESS DEVELOPMENT

The history of the Group can be tracked back to 1980's when Artwell Enterprises, then controlled by Mr. Chu, engaged in sale and purchase of agricultural products business. Artwell Enterprises sourced dried cassava chips from, among others, Thailand to its customers in China in 1990s.

In response to the Thai government's action to liquidate its stockpile of dried cassava chips in 2001, Mr. Chu, through the then market intelligence in Thailand, entered into discussion with the Department of Foreign Trade in March 2001 in relation to the taking up of part of the stockpile. Mr. Chu agreed to acquire from Public Warehouse Organisation, a state enterprise under the supervision of the Thai government, approximately 300,000 tonnes of dried cassava chips. These procurement and sales were one of the milestones for the Group. The Group then established its foothold in its cassava procurement business in Thailand.

To facilitate the Group's procurement and export of dried cassava chips business in Thailand and to cope with the business development in China, Alush Thailand and Rizhao Yushun were both incorporated in 2001. Also, Alush Thailand became a member of the TTTA in 2001 and obtained the Certificate of the Exporter of Commodity Standard issued by the Office of the Commodity Standard of Thailand, which is subject to renewal each year, and export licenses issued by the Foreign Trade Department of the Ministry of Commerce of Thailand, which are required for each export, which enable Alush Thailand to engage in the business of exporting cassava chips.

The Group was the largest exporter of dried cassava chips in Thailand and the largest supplier of dried cassava chips imported from Thailand to the PRC from 2003 to 2007 by export volume based on the annual reports of TTTA.

With a view to reinforcing the customers' recognition on the quality of the dried cassava chips sold by the Group, Mr. Chu registered the trademark of "Artwell" in 2004 in the PRC and the Group supplies its quality products mainly under the "Artwell" brand with timely delivery to its customers generally with a starch content of 67% or above, which is higher than that of the required minimum of 65% of the Standard of Cassava Product issued by the Ministry of Commerce in Thailand. The "Artwell" brand is well-known among the Group's PRC customers. The Directors confirmed that there is currently no minimum requirement of starch content of dried cassava chips in the PRC.

To further expand the sales of dried cassava chips of the Group, Artwell Tapioca and Artsun Macao were incorporated in Hong Kong and Macau in 2004 and 2006 respectively. Both of them are principally engaged in trading of cassava chips which are purchased from Alush Thailand (for sales from warehouses) and other Southeast Asian suppliers (for direct sales) and sold to its customers in the PRC.

With a view to broadening the sources of dried cassava chips in Thailand, Mr. Chu obtained control of Global Property in 2007. Prior to Mr. Chu obtained control of Global Property in November 2007 and as at the Latest Practicable Date, save for engaging in the procuring and processing of fresh cassava chips in Thailand, Global Property has not commenced any business operations. Global Property is mainly responsible for procuring and processing of fresh cassava roots and procuring and sale of dried cassava chips. It became a member of the Thai Cassava Products Factory Association in 2007.

## HISTORY AND DEVELOPMENT

In order to further expand its procurement network in Southeast Asia, Artwell Cambodia was incorporated on 28 March 2008. It is planned for engaging in the procurement and sales of dried cassava chips mainly to the Group members in Thailand for onward exports to the PRC.

### CORPORATE DEVELOPMENT

Artwell Enterprises was incorporated in Hong Kong on 26 July 1983 and has been controlled by Mr. Chu since 1984. Immediately prior to the Reorganisation, Artwell Enterprises was over 99.99% beneficially owned by Mr. Chu and the remaining by Mrs. Chu. Artwell Enterprises had been engaged in the trading of dried cassava chips and is principally engaged in property investment and investment holding.

Alternative View was incorporated in BVI on 18 August 1999 and is principally engaged in investment holding and property investment. Immediately prior to the Reorganisation, the entire issued share capital of Alternative View was beneficially owned by Mr. Chu.

To facilitate the procurement and export of dried cassava chips business in Thailand, Alush Thailand was incorporated in Thailand in 2001. Details of the shareholding structure and arrangement of Alush Thailand are set out in the paragraph headed “Thai Arrangements” in this section.

To cope with the business development in the PRC, Rizhao Yushun was incorporated in the PRC on 19 July 2001 with a registered capital of US\$600,000 (equivalent to approximately HK\$4,680,000), which was fully paid up in June 2003. In 2006, its registered capital was approved to be increased to US\$1,260,000 (equivalent to approximately HK\$9,828,000). The increased part of its registered capital was fully paid-up in January 2007. The payment of the initial registered capital and the increased registered capital of Rizhao Yushun was not settled within the time prescribed by its articles of association and the relevant PRC laws, which required that the first instalment payment of the registered capital by a foreign investor should be not less than 15% of the registered capital subscribed by it and shall be paid up within 90 days of the issue of the business licence. However, as advised by the Company’s PRC legal advisers, the authority in charge subsequently approved and issued the approval certificates to Rizhao Yushun in 2004, 2006 and 2007 respectively for its change of name, increase in registered capital and change of business scope and so far there has not been any administrative penalty imposed on Rizhao Yushun. The Directors confirmed that no other remedial actions were taken previously. The Company’s PRC legal advisers opined that as Artwell Enterprises has fulfilled its obligation in paying up the registered capital of Rizhao Yushun, there is no legal impediment for its shareholder’s right.

## HISTORY AND DEVELOPMENT

Rizhao Yushun is principally engaged in the trading of dried cassava chips either as import agent or as seller to its customers mainly in the PRC. Since its incorporation on 19 July 2001 and up to 20 March 2005, the permitted business scope of Rizhao Yushun was “processing and sale of cassava chips”. On 21 March 2005, Rizhao Yushun obtained its business licence with permitted business scope (amended) as processing, sales of dried cassava chips (for industrial use) and the import and export of products (excluding the sub-distribution of imported goods).

After Rizhao Yushun obtained the 《中華人民共和國海關進出口貨物收發貨人報關註冊登記證書》 (Register Document for Customs Declaration of Consignees and Consigners of Import and Export Goods of the Customs of the PRC) in July 2003, Rizhao Yushun started to engage in the import/sales of cassava chips. Prior to 29 July 2003, Rizhao Yushun did not engage in the business of import of cassava chips. As such, the import of dried cassava chips performed by Rizhao Yushun during July 2003 and March 2005 exceeded its then permitted business scope, namely, the processing and sale of cassava chips. However, as advised by the Company’s PRC legal advisers, since Rizhao Yushun has obtained the 《中華人民共和國海關進出口貨物收發貨人報關註冊登記證書》 (Register Document for Customs Declaration of Consignees and Consigners of Import and Export Goods of the Customs of the PRC), the contracts made by Rizhao Yushun during the relevant period would still be legally valid. In addition, during the relevant period, Rizhao Yushun had not encountered any problems in issuing VAT invoices and filing tax return with the tax authority in relation to the sales transactions and in renewing its business licences and there was no penalty imposed on Rizhao Yushun for conducting business outside its permitted scope. As such, based on the Company’s PRC legal advisers’ opinion above, the Directors consider that the exposure to the Group and its senior management is remote. The Controlling Shareholders, Mr. Chu and AR Management undertake to indemnify in favour of the Group against any costs, expenses and/or damages as a result of the above non-compliance. Further details of the indemnity is set out in the paragraph headed “Other information” in Appendix V to this prospectus.

Artwell Tapioca was incorporated in Hong Kong on 18 March 2004, which is principally engaged in the trading of dried cassava chips. Upon its incorporation, Artwell Tapioca was owned as to 50% by Artwell Enterprises and as to 50% by Exquisite Gold, a company wholly-owned by Mr. Chu.

On 28 April 2006, Artsun Macao was duly registered in Macau as a wholly-owned subsidiary of Alternative View and is principally engaged in the trading of dried cassava chips. Both Artwell Tapioca and Artsun Macao are principally engaged in trading of cassava chips, which are purchased from Alush Thailand (for sales from warehouses) and other Southeast Asian suppliers (for direct sales) and sold to its customers in the PRC.

In November 2007, with a view to broadening the sources of dried cassava chips in Thailand, Mr. Chu gained control of 99.95% of the shareholdings in Global Property. Details of the shareholding structure and arrangement of Global Property are set out in the paragraph headed “Thai Arrangements” in this section.

## HISTORY AND DEVELOPMENT

Immediately prior to the Reorganisation, certain companies of the Group had assumed the treasury function of the private companies managed by Mr. Chu. Money was advanced to Jinan Yaxin Real Estate Development Co. Ltd. (濟南雅新房地產開發有限公司) for the financing of its real estate development project in Jinan. As advised by the Company's PRC legal advisers, the advances to the related parties will be regarded as invalid under the relevant rules in the PRC. However, the borrowing parties continue to have the obligation to repay the advances. The Company's PRC Legal Advisers also opined that the Group would not be penalised by The People's Bank of China as the advances involving the Group's PRC companies are non-interest bearing. Such advances have already been settled. The Controlling Shareholders, Mr. Chu and AR Management, have undertaken to indemnify the Group from, among others, any losses, costs, expenses and/or damages suffered or incurred by the Group as a result of the advances. Further details of the indemnity is set out in the paragraph headed "other information" in Appendix V to this prospectus.

To prepare for the Listing, the Group underwent the following restructuring exercise pursuant to the Reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange.

Art Ocean was incorporated in BVI in February 2008 and became a wholly-owned subsidiary of Alternative View in March 2008, mainly for the purpose of holding the trademarks of the Group. In March 2008, Mr. Chu signed an agreement with Art Ocean to transfer three trademarks registered in the PRC under his name to Art Ocean at a consideration of RMB1 (equivalent to approximately HK\$1.14). For details of the trademarks, please refer to the paragraph headed "Intellectual property rights" under the section headed "Business" of this prospectus.

In order to dispose of the assets which are unrelated to the principal business and not compatible with the future development of the Group, in March 2008, Artwell Enterprises and Alternative View had respectively disposed of the following: (a) Artwell Enterprises transferred 50% equity interests in Artwell Cotton (the principal activity of which is trading of cotton) owned by it to Exquisite Gold (the principal activity of which is investment holding) at a nominal consideration of HK\$1.00 determined by reference to the unaudited net liability of Artwell Cotton as at 31 March 2008. As Artwell Cotton was accounted for as an associate and it had been loss-making prior to the Track Record Period, the Group's investment cost in Artwell Cotton of HK\$1 was fully impaired before the Track Record Period. For each of the three financial years ended 31 March 2008, it continued to record losses. As such, no share of profit/loss was equity accounted for by the Group in respect of its interest in Artwell Cotton; and (b) Alternative View assigned a property in Shatin, New Territories, Hong Kong to Alpha Concord Investments Limited, a company owned by Mr. Chu and Mrs. Chu, at a consideration of HK\$965,000 based on the market value of the property as at 31 March 2008 for the reasons that the Group will not be able to utilise this property in the short run and such disposal will enhance the Group's working capital.

## HISTORY AND DEVELOPMENT

Art Rich and All High were incorporated in BVI and became wholly-owned subsidiaries of Alternative View in the first quarter of 2008. Art Rich is principally engaged in investment holding. All High is principally engaged in investment holding and provision of shipping agency service.

Artwell Cambodia was incorporated in Cambodia on 28 March 2008, being a wholly owned subsidiary of Art Rich and is planned for engaging in the procurement of dried cassava chips in Cambodia and sales of dried cassava chips to the Group members in Thailand for onward exports to the PRC. As advised by the Company's Cambodia legal advisers, Artwell Cambodia is permitted, under Cambodian laws, to conduct business freely and no business licence is currently required for the procurement and export of cassava products. However, exports permits are required for export of agricultural products and it is likely that such a permit will be required for export of cassava products. As Artwell Cambodia has not yet commenced exporting, there are no current licensing requirements under Cambodian laws. Once Artwell Cambodia commences activities, permits may be required based on the specific quantities exported. The permits are issued on a case by case basis but the procedure for issuing permits is common and routine. The Company's Cambodia legal advisers advised that Artwell Cambodia will not face any particular difficulties in obtaining the relevant permits if required.

Artwell Cambodia did not complete the filing of the tax registration at the Tax Department of the Ministry of Economic and Finance of Cambodia ("MEF") within the prescribed time after incorporation as the Group was unfamiliar with Cambodian laws at the time when Artwell Cambodia was incorporated. By the time when the Group engaged suitable Cambodian legal advisers, the required time limit for completing the filing had already lapsed. As advised by the Company's Cambodian legal advisers, the tax registration for Artwell Cambodia was filed on 3 September 2008. Prior to filing the tax registration, Artwell Cambodia had settled a penalty of US\$275 (equivalent to approximately HK\$2,100) for the late filing and registration was completed by the Tax Department at MEF on 6 October 2008 with the Patent and VAT Certificates taken effect on 1 September 2008. The taxes to be paid upon registration are the Patent Tax of 1,140,000 Riels (equivalent to approximately HK\$2,200) and the Seal Posting Tax of 10,000 Riels (equivalent to approximately HK\$19). According to Article 131 of Law on Tax of Cambodia ("LOT"), late filing of tax registration incurred an initial penalty of 10% plus 2% per month (or part thereof) of outstanding taxes. Therefore, the assessed penalty of US\$275 (equivalent to approximately HK\$2,100) was based on 22% (being six months late filing i.e. 12% of the outstanding tax plus the initial penalty of 10%) of the amount due i.e. 1,150,000 Riels (equivalent to approximately HK\$2,200), which was calculated to be 253,000 Riels (equivalent to approximately HK\$480) plus an additional amount of sundry expenses payable in the amount of 848,000 Riels (equivalent to approximately HK\$1,600), due to another provision of the LOT, which states that the delay of payment of tax may be subject to the penalty of 2,000,000 Riel (equivalent to approximately HK\$3,800) per month. As Artwell Cambodia was incorporated on 28 March 2008 and remained dormant, the Company's Cambodian legal advisers are of the opinion that since Artwell Cambodia has paid the late filing penalty and filed with the Tax Department of MEF all the documents required for the tax registration as required by the relevant laws, assuming the Company continues to comply with the usual monthly tax filings with the Tax Department of MEF, no further penalty will be imposed on Artwell Cambodia.

## HISTORY AND DEVELOPMENT

In March 2008, as part of the Reorganisation, Artwell Enterprises acquired from Exquisite Gold its 50% shareholding in Artwell Tapioca at a consideration of HK\$11,787,920. The consideration for the acquisition was determined by reference to the then unaudited net asset value of Artwell Tapioca.

In March 2008, (a) Mr. Chu and Mrs. Chu transferred their 100% interest in each of Artwell Properties and Fine Success to Alternative View at an aggregate consideration of HK\$1,128,897 and HK\$2,872,599 respectively; and (b) Mr. Chu and Alther Limited transferred their aggregate of 100% interest in Wide Triumph to Alternative View at an aggregate consideration of HK\$5,694,267, for the purposes of facilitating the Group's future development, leveraging these properties as securities for bank facilities of the Group as well as enhancing the Group's asset and revenue base. Such considerations were based on the unaudited net asset value of the respective companies as at 31 March 2008, including the properties held by Artwell Properties, Fine Success and Wide Triumph respectively.

The financial statements of Artwell Property for the period from 3 September 2004 (date of incorporation) to 31 March 2006 were qualified as it covered a period in excess of that permitted by section 122 of the Companies Ordinance. The Directors admit that such non-compliance by Artwell Property was due to an unintentional oversight of the relevant requirement under the Companies Ordinance and an incorrect appreciation of the possible legal consequences from this non-uncommon practice. The Directors confirm that the first set of the financial statements had been duly prepared with the audit qualification and all subsequent financial statements had been timely prepared. Although under the Companies Ordinance, a director of a company who fails to take all reasonable steps to comply with the provisions of section 122 of the Companies Ordinance may be liable to a fine of HK\$300,000 and imprisonment for 12 months, the aforesaid penalty represents a maximum penalty under the Companies Ordinance and, as at the Latest Practicable Date, the Directors are not aware of any case being reported in Hong Kong under this category in the available legal research system in which the penalty was imposed on a single incident which had been duly ratified. As confirmed by the Directors, both Artwell Property, its directors and its senior management have not been imposed any penalty or prosecution in relation to this non-compliance. The Controlling Shareholders, Mr. Chu and AR Management, have undertaken to indemnify the Group from, among others, any losses, costs, expenses and/or damages suffered or incurred by the Group as a result of the non-compliance with section 122 of the Companies Ordinance by Artwell Property. Further details of the indemnity is set out in the paragraph headed "Other information" in Appendix V to this prospectus.

In March 2008, the Group acquired the land use right and the factory complex constructed thereon at No. 22 Dongshen Road, E-gong Ling, Pingu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC from Mr. Chu at a consideration of RMB9,200,000 (equivalent to approximately HK\$10,450,300) by canceling the nominee agreement entered into between Artwell Enterprises and Mr. Chu, under which Artwell Enterprises held the said property as a nominee of Mr. Chu. Such consideration was based on the market value of the said property as at 31 March 2008.

On 8 May 2008, the Company was incorporated in the Cayman Islands. It became the holding company of the Group as a result of the Reorganisation.

## HISTORY AND DEVELOPMENT

On 2 July 2008, Mr. Chu transferred in aggregate of 14,999,999 shares in Artwell Enterprises (out of which 450,000 shares of Artwell Enterprises was transferred through Mr. Chu Chung Sum, being the father of Mr. Chu, who held such number of shares on trust for Mr. Chu) to Alternative View and Mr. Ng Chi Kong transferred one share of Artwell Enterprises which he held on trust for Mrs. Chu to Alternative View at the consideration of HK\$45,212,401 and HK\$3 respectively. The consideration for all the above transfers was determined based on the unaudited net asset value of Artwell Enterprises as at 31 March 2008, including the properties held by Artwell Enterprises.

On 2 July 2008, AR Management acquired the entire issued share capital of Alternative View from Mr. Chu, and the consideration for such acquisition were satisfied by the allotment and issue of 100 shares in AR Management, credited as fully paid, to Mr. Chu.

On 2 July 2008, AR Management allotted and issued 869 shares of it to Mr. Chu and 30 shares of it to Mrs. Chu, as such, the entire issued share capital of AR Management is beneficially owned as to approximately 97% and 3% by Mr. Chu and Mrs. Chu respectively.

On 18 February 2009, the Company increased its authorised share capital from HK\$380,000 to HK\$200,000,000 by creation of an additional 1,996,200,000 Shares.

On 18 February 2009, the Company acquired the entire issued share capital of Alternative View from AR Management, and the consideration for such acquisition has been satisfied by the allotment and issue of 99,999,999 Shares, accredited as fully paid, to AR Management.

Further details of the Reorganisation are also set out in the paragraph headed "Corporate Reorganisation" in the section headed "Statutory and general information" in the Appendix V to this prospectus.

### THAI ARRANGEMENTS

In the end of 2000, Mr. Chu intended to set up Alush Thailand to further develop his business in Thailand, decided to establish Alush Thailand through the Alush Arrangements.

Pursuant to the Foreign Business Act in Thailand enacting since 1999, a foreign company (i.e. any company having its foreign national shareholders holding 50% or more of the total issued shares of the company) is allowed to engage in the export of cassava chips. Thus, regardless of whether a company is a Thai or foreign national company under the Foreign Business Act, it is entitled to engage in such business. According to the Company's Thai legal advisers, the basis for such conclusion is that the Foreign Business Act lists out certain businesses that foreigner cannot engage in or can engage in only with specific permission. The Foreign Business Act provides three lists of businesses which foreign companies are (i) strictly prohibited from engaging in; (ii) restricted to engage in unless with permission from the Minister of the Ministry of Commerce with the approval of the Cabinet; and (iii) able to engage in only with the permission of the Director-General of the Business Development Department of Thailand, such as the wholesale or retail

## HISTORY AND DEVELOPMENT

business having less than THB100 million (equivalent to approximately HK\$22,190,000) capital. The business of export of goods, including cassava chips, is not listed on either of the lists. Mr. Chu could have injected over THB100 million (equivalent to approximately HK\$22,190,000) to his business to obtain the permission for a foreign company, however as Mr. Chu did not want to lock up such amount of money in Thailand at that time and would like to have better and more efficient utilization of the Group's financial resources, he did not choose to expand the capital of Alush Thailand to THB100 million (equivalent to approximately HK\$22,190,000). Also, having considered the complicated procedures involved, Mr. Chu did not choose to obtain permission of the Director-General of the Business Development Department. Therefore, Mr. Chu would rather maintain Alush Thailand as the Thai national company at the relevant time. In the end of 2000, when Mr. Chu intended to set up Alush Thailand to further develop his businesses in Thailand, given the above and the fact that the Foreign Business Act was only enacted for about one year and that Mr. Chu had received the impression from other exporters that although the Foreign Business Act allows a foreign company to engage in the export of cassava chips, in practice it was not clear at the time of setting up Alush Thailand in 2001 as to whether only a Thai national company would be approved by the relevant Thai government authorities to export cassava chips. Accordingly, after consulting with the then advisers and other exporters as to their common practice; in order to allow Alush Thailand a more flexible future business operation and to avoid the uncertainty regarding interpretation of the Foreign Business Act, Mr. Chu decided to control Alush Thailand through the Alush Arrangements. Therefore, shortly after Mr. Chu established Alush Thailand personally and through the loan arrangements with Ms. Liu on 3 January 2001, Mr. Chu and Ms. Liu transferred part of their shares in Alush Thailand to Bangsai Grain Co., Ltd., a Thai national company, on 1 June 2001 such that Alush Thailand became a Thai national company as the majority of the registered shareholders are Thai national. In this regard, immediately prior to the Group's acquisition of the 100% interests in Alush Thailand in March 2008, the beneficial interest in and effective control over 99.976% equity interest of Alush Thailand by Mr. Chu was structured under the Alush Arrangements, particulars of which are as follows:

1. Mr. Chu had, at different points of time, entered into loan agreements and share pledge agreements with the Alush Shareholders, whose registered interests in Alush Thailand together with Mr. Chu's interest in Alush Thailand, represented more than 99.90% of the total issued share capital of Alush Thailand at all material time since the establishment of Alush Thailand. The remaining shareholdings in Alush Thailand, representing less than 0.10% of the total issued share capital of Alush Thailand, are held by a few Thai individuals, who are Independent Third Parties. Mr. Chu, pursuant to the loan agreements, had lent fund to the Alush Shareholders to invest in Alush Thailand, and as security to the repayment of their respective loans owed to Mr. Chu, the Alush Shareholders had agreed to pledge their respective shares in Alush Thailand in favour of Mr. Chu, by virtue of which, Mr. Chu could enforce the share pledge in an event of default of the loan repayment. Further, pursuant to the loan agreements, upon demand of repayment, Mr. Chu had the right at his sole discretion to demand and effect the transfer of the shares so pledged by the Alush Shareholders to Mr. Chu or his designated person at a consideration equal to the loan amount.

## HISTORY AND DEVELOPMENT

2. The Alush Shareholders had also respectively entered into the letters of undertaking with Mr. Chu whereby they have undertaken, among other things, to assign and direct all dividends and special distribution paid and payable by Alush Thailand in relation to their shares in Alush Thailand, and all distribution of assets made or to be made by Alush Thailand in relation to their shares in Alush Thailand solely to Mr. Chu. In addition, two of the Alush Shareholders, namely Mr. MK Chu and Ms. Liu, in their capacities of directors of Alush Thailand, had also undertaken not to approve any resolution of Alush Thailand relating to any material business transactions without the prior written consent of Mr. Chu and not to approve any resolution relating to the appointment, acceptance of resignation of or otherwise removal of directors of Alush Thailand without the prior written consent of Mr. Chu.
  
3. Each of the Alush Shareholders also appointed Mr. Chu as their respective proxy to receive notices of meetings and to vote in all shareholders' meetings of Alush Thailand for any proposed resolution. Mr. MK Chu and Ms. Liu, in their capacities of directors of Alush Thailand had also appointed Mr. Chu as their respective proxy to receive notices of meetings and to vote in all directors' meetings of Alush Thailand for any proposed resolution.

The details of each of the Alush Arrangements at different points of time are set out as follows:

### On 3 January 2001 (date of incorporation of Alush Thailand)

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Relationship with the Company	Remarks	Nationality of the registered shareholders
Ms. Liu (B)	Mr. Chu	14,997 (P) <i>(note 1)</i>	49.99%	THB1,499,700 (equivalent to approximately HK\$332,800)	An executive Director	-	Chinese
Mr. Chu (S)	-	14,998 (O) <i>(note 1)</i>	49.993%	-	An executive Director and Controlling Shareholder	-	Chinese
Other five minority shareholders (S)	-	5 (O)	0.017%	-	Independent Third Parties	Each of the five minority shareholders held 1 share of Alush Thailand, representing approximately 0.003% of the then shareholding of Alush Thailand	Thai
Total		<u>30,000</u>	<u>100%</u>				

*Note 1:* Mr. Chu effectively controlled approximately 99.983% of the then shareholdings of Alush Thailand, out of which 49.993% was legally and beneficially owned by Mr. Chu and approximately 49.99% was controlled through the Alush Arrangements with Ms. Liu.

## HISTORY AND DEVELOPMENT

### On 1 June 2001 (when several share transfers took place among the registered shareholders)

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Borrower's relationship with the Group	Remarks	Nationality of the registered shareholders
Mr. Chu (S)	-	8,700 (O) <i>(note 2)</i>	29%	-	An executive Director and Controlling Shareholder	Mr. Chu had transferred 6,298 shares of Alush Thailand to Bangsai Grain Co., Ltd. on 1 June 2001	Chinese
Bangsai Grain Co., Ltd. (B)	Mr. Chu	15,295 (P) <i>(note 2)</i>	50.983%	THB1,529,500 (equivalent to approximately HK\$339,400)	Independent Third Party		Thai national company
Ms. Liu (B)	Mr. Chu	3,000 (P) <i>(note 2)</i>	10%	THB300,000 (equivalent to approximately HK\$66,600)	An executive Director	Ms. Liu had transferred on 1 June 2001: (1) 8,997 shares of Alush Thailand to Bangsai Grain Co., Ltd.; and (2) 3,000 shares of Alush Thailand to Mr. MK Chu	Chinese
Mr. MK Chu (B)	Mr. Chu	3,000 (P) <i>(note 2)</i>	10%	THB300,000 (equivalent to approximately HK\$66,600)	An executive Director		Chinese
Other five minority shareholders (S)	-	5 (O)	0.017%	-	Independent Third Parties	Each of the five minority shareholders held 1 share of Alush Thailand, representing approximately 0.003% of the then shareholding of Alush Thailand	Thai
Total		30,000	100%				

*Note 2:* Mr. Chu effectively controlled approximately 99.983% of the then shareholdings of Alush Thailand, out of which 29% was legally and beneficially owned by him and approximately 70.983% was controlled through the Alush Arrangements with each of Ms. Liu, Bangsai Grain Co., Ltd. and Mr. MK Chu respectively.

## HISTORY AND DEVELOPMENT

### On 30 April 2004 (when Bangsai Grain Co., Ltd. transferred its shares in Alush Thailand to Mr. Jirasak Chuenchujitjaratkun)

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Borrower's relationship with the Group	Remarks	Nationality of the registered shareholders
Mr. Chu (S)	-	8,700 (O) <i>(note 3)</i>	29%	-	An executive Director and Controlling Shareholder		Chinese
Mr. Jirasak Chuenchujitjaratkun ("Mr. Jirasak") (B)	Mr. Chu	15,295 (P)	50.983%	THB1,529,500 (equivalent to approximately HK\$339,400)	Independent Third Party	Bangsai Grain Co., Ltd. transferred 15,295 shares of Alush Thailand to Mr. Jirasak Chuenchujitjaratkun on 30 April 2004	Thai
Ms. Liu (B)	Mr. Chu	3,000 (P) <i>(note 3)</i>	10%	THB300,000 (equivalent to approximately HK\$66,600)	An executive Director		Chinese
Mr. MK Chu (B)	Mr. Chu	3,000 (P) <i>(note 3)</i>	10%	THB300,000 (equivalent to approximately HK\$66,600)	An executive Director		Chinese
Other five minority shareholders (S)	-	5 (O)	0.017%	-	Independent Third Parties	Each of the five minority shareholders held 1 share of Alush Thailand, representing approximately 0.003% of the then shareholding of Alush Thailand	Thai
Total		30,000	100%				

*Note 3: Mr. Chu effectively controlled approximately 99.983% of the then shareholdings of Alush Thailand, out of which 29% was legally and beneficially owned by him and approximately 70.983% was controlled through the Alush Arrangements with each of Ms. Liu, Mr. Jirasak and Mr. MK Chu respectively.*

## HISTORY AND DEVELOPMENT

**On 5 April 2007 (when the registered capital of Alush Thailand increased from THB3,000,000 (equivalent to approximately HK\$665,700) to THB12,000,000 (equivalent to approximately HK\$2,662,800))**

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Borrower's relationship with the Group	Remarks	Nationality of the registered shareholders
Mr. Chu (S)	-	34,800 (O) <i>(note 4)</i>	29%	-	An executive Director and Controlling Shareholder	On 5 April 2007, 26,100 shares were allotted and issued to Mr. Chu	Chinese
Mr. Jirasak (B)	Mr. Chu	61,194 (P) <i>(note 4)</i>	50.995%	THB6,119,400 (equivalent to approximately HK\$1,357,900)	Independent Third Party	On 5 April 2007: (1) 45,897 shares was allotted and issued to Mr. Jirasak  (2) 2 shares were transferred to Mr. Jirasak from two independent minority shareholders	Thai
Ms. Liu (B)	Mr. Chu	12,000 (P) <i>(note 4)</i>	10%	THB1,200,000 (equivalent to approximately HK\$266,300)	An executive Director	On 5 April 2007, 9,000 shares were allotted and issued to Ms. Liu	Chinese
Mr. MK Chu (B)	Mr. Chu	12,000 (P) <i>(note 4)</i>	10%	THB1,200,000 (equivalent to approximately HK\$266,300)	An executive Director	On 5 April 2007, 9,000 shares were allotted and issued to Mr. MK Chu	Chinese
Other three minority shareholders (S)	-	6 (O)	0.005%	-	Independent Third Parties	On 5 April 2007, each of the three minority shareholders were allotted and issued 1 share. As such, each of the three minority shareholders of Alush Thailand held 2 shares, representing approximately 0.0017% of the then shareholding of Alush Thailand	Thai
Total		120,000	100%				

*Note 4:* Mr. Chu effectively controlled 99.995% of the then shareholdings of Alush Thailand, out of which 29% was legally and beneficially owned by him and each of 70.995% was controlled through the Alush Arrangements with Ms. Liu, Mr. Jirasak and Mr. MK Chu respectively.

## HISTORY AND DEVELOPMENT

**On 26 November 2007 (when the registered capital of Alush Thailand increased from THB12,000,000 (equivalent to approximately HK\$2,662,800) to THB15,000,000 (equivalent to approximately HK\$3,328,500))**

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Borrower's relationship with the Group	Remarks	Nationality of the registered shareholders
Mr. Chu (S)	-	43,500 (O) <i>(note 5)</i>	29%	-	An executive Director and controlling Shareholder	On 26 November 2007, 8,700 shares were allotted and issued to Mr. Chu	Chinese
Mr. Jirasak (B)	Mr. Chu	76,464 (P) <i>(note 5)</i>	50.976%	THB7,646,400 (equivalent to approximately HK\$1,696,700)	Independent Third Party	On 26 November 2007, 15,270 shares were allotted and issued to Mr. Jirasak	Thai
Ms. Liu (B)	Mr. Chu	15,000 (P) <i>(note 5)</i>	10%	THB1,500,000 (equivalent to approximately HK\$332,900)	An executive Director	On 26 November 2007, 3,000 shares were allotted and issued to Ms. Liu	Chinese
Mr. MK Chu (B)	Mr. Chu	15,000 (P) <i>(note 5)</i>	10%	THB1,500,000 (equivalent to approximately HK\$332,900)	An executive Director	On 26 November 2007, 3,000 shares were allotted and issued to Mr. MK Chu	Chinese
Other three minority shareholders (S)	-	36 (O)	0.024%	-	Independent Third Parties	On 26 November 2007, each of the three minority shareholders were allotted and issued 10 shares. As such, each of the three minority shareholders of Alush Thailand held 12 shares, representing approximately 0.008% of the then shareholding of Alush Thailand.	Thai
Total		150,000	100%				

*Note 5:* Mr. Chu effectively controlled 99.976% of the then shareholdings of Alush Thailand, out of which 29% was legally and beneficially owned by him and each of 70.976% was controlled through the Alush Arrangements with Ms. Liu, Mr. Jirasak and Mr. MK Chu respectively.

## HISTORY AND DEVELOPMENT

As advised by the Company's Thai legal advisers, based on the ruling of the Ministry of Commerce of Thailand ("Ministry of Commerce") dated 13 June 2003, carrying on export of goods for sales abroad is not a restricted or prohibited business under the list attached to the Foreign Business Act. Therefore, a foreigner under the Foreign Business Act (i.e. a company with 50% or more shares held by foreigners) can conduct such kind of business without requirement of any permit from the Business Development Department of the Ministry of Commerce. By analogy to the above ruling, the export of dried cassava chips business is a business outside such list and hence a foreigner is not prohibited or restricted from engaging in such business activity. In other words, if a company was a foreigner under the Foreign Business Act (meaning that a majority of shares in the company would be held by foreigners) or deemed to be a foreigner for any reason, the company would still be able to carry on this business without restrictions under the Foreign Business Act.

Mr. Chu and Ms. Liu has been appointed as directors of Alush Thailand since its incorporation and Mr. MK Chu has been appointed as a director of Alush Thailand since 8 June 2001.

According to the Company's Thai legal advisers, the Alush Arrangements enabled Mr. Chu to act solely to transact any business of Alush Thailand by calling for any shareholders' meeting and directors' meeting and convene such meeting, adopt any resolution Mr. Chu may desire and such resolution would be valid and lawful provided that the resolution is not against the laws of Thailand. Further, all dividends, special distributions paid and payable and all distribution of assets made or to be made in respect of the shares held by the Alush Shareholders in Alush Thailand shall be solely made to Mr. Chu, and as such, all economic benefits and assets could be wholly received and controlled by Mr. Chu. Further, the fact that Mr. Chu could convene any shareholders' and director's meeting and adopt any resolution Mr. Chu may direct, together with the rights to control the appointment and removal of the directors; and the key decisions, such as the purchase price of dried cassava chips quoted to the market from time to time, the entering of long term supply contracts and the approval for material payments are supervised by Mr. Chu, which could prevent possible leakages of assets and values to the registered shareholders.

According to the Company's Thai legal advisers, the Foreign Business Act stipulates that it is an offence if and only if (i) there exists a "nominee" relationship; and (ii) the "nominee" company carries out any of the restricted activities as defined in the Foreign Business Act. It would not be a criminal offence under the Foreign Business Act if the "nominee" company has not carried out any of the restricted activities as defined in the Foreign Business Act even if a "nominee" relationship is proven in courts of Thailand. To establish a "nominee" relationship, it must be proven in court of Thailand that the Thai shareholder in a company is a nominee of a foreigner.

As advised by the Company's Thai legal advisers, the Alush Arrangements together with the shareholding of Mr. Chu, in effect enabled Mr. Chu to be beneficially interested in, and effectively control, an aggregate of 99.976% equity interest in Alush Thailand immediately prior to the acquisition of Alush Thailand by the Group pursuant to the Reorganisation. As there has been no material change or official clarification to the

## HISTORY AND DEVELOPMENT

Foreign Business Act since its enactment, the Alush Arrangements had been continued until immediately prior to the Reorganisation.

In November 2007, with a view to broadening the sources of the dried cassava chips in Thailand, and as it was found that Mr. Chu could exercise control effectively through the Alush Arrangements, Mr. Chu gained the control of approximately 99.95% of the shareholdings in Global Property through loan arrangements similar to the Alush Arrangements with each of the GP Shareholders:

1. Mr. Chu had entered into loan agreements and share pledge agreements on 13 November 2007 with the GP Shareholders namely, Mr. Aja and Mr. Su, whose registered interests in Global Property represented 51% and 48.95% of the total issued share capital of Global Property respectively. Mr. Su was the purchasing manager of Alush Thailand. Save as disclosed in the GP Arrangements, Mr. Aja has no other connected relationship with the Group. Mr. Chu, pursuant to the loan agreements, had lent fund to the GP Shareholders. As security to the repayment of their respective loans owed to Mr. Chu, the GP Shareholders had agreed to pledge their respective shares in Global Property in favour of Mr. Chu, by virtue of which, Mr. Chu could enforce the share pledge in an event of default of the loan repayment. Further, pursuant to the loan agreements, upon demand of repayment, Mr. Chu had the right at his sole discretion to demand and effect the transfer of the shares so pledged by the GP Shareholders to Mr. Chu or his designated person at a consideration equal to the loan amount.
2. The GP Shareholders had also respectively entered into the letters of undertaking with Mr. Chu whereby they had undertaken, among other things, to assign and direct all dividends and special distribution paid and payable by Global Property in relation to their shares in Global Property, and all distribution of assets made or to be made by Global Property in relation to their shares in Global Property solely to Mr. Chu.
3. Each of the GP Shareholders also appointed Mr. Chu as their respective proxy to receive notices of meetings and to vote in all shareholders' meetings and directors' meetings of Global Property for any proposed resolutions.

## HISTORY AND DEVELOPMENT

The details of each of the GP Arrangements are set out as follows:

### On 13 November 2007

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved and basis	Borrower's relationship with the Group	Nationality of the registered shareholders
Mr. Aja (B)	Mr. Chu	5,100 (P) <i>(note 1)</i>	51%	THB127,500 (equivalent to approximately HK\$28,300) (based on the value of 25% paid up capital in respect of such 51% shareholding)	Mr. Aja has been a business acquaintance of Mr. Chu for years and he had been a director of Global Property until 25 June 2008. Save as disclosed above, Mr. Aja does not have any relationship with any of the Directors, members of senior management, shareholders of the Company and its subsidiaries, or their respective associates.	Thai
Mr. Su (B)	Mr. Chu	4,895 (P) <i>(note 1)</i>	48.95%	THB122,375 (equivalent to approximately HK\$27,200) (based on the value of 25% paid up capital in respect of such 48.95% of shareholding)	Mr. Su was an employee of Alush Thailand and had been a director of Global Property until 25 June 2008. Mr. Su had also been a director of Artsun Macao until 17 July 2006. Save as disclosed above, Mr. Su does not have any relationship with any of the Directors, members of senior management, shareholders of the Company and its subsidiaries, or their respective associates.	Chinese
Other five minority shareholders (S)	-	5 (O)	0.05%	-	Independent Third Parties	Thai
Total		10,000	100%			

*Note 1:* Mr. Chu effectively controlled 99.95% of the then shareholdings of Global Property through the GP Arrangements with Mr. Aja and Mr. Su.

Mr. Su was appointed because he had been an employee of the Group since the year 2004 and the management considered him trust-worthy and reliable. Mr. Aja has been a business acquaintance of Mr. Chu for years and he is considered trust-worthy by the management and is familiar with the cassava chips industry. Considering the business relationship and industry knowledge, the Group decided to allow Mr. Aja to remain as the registered holder of the relevant shares of Global Property.

Mr. Chu obtained control of the 51% interest held by Mr. Aja and 48.95% interest held by Mr. Su under the GP Arrangements on 13 November 2007. Such arrangements involved loans of THB127,500 (equivalent to approximately HK\$28,300) and THB122,375 (equivalent to approximately HK\$27,200) advanced to Mr. Aja and Mr. Su respectively, with reference to 25% of the capital of 51% and 48.95% equity interest held by Mr. Aja and Mr. Su respectively. The loans advanced to Mr. Aja and Mr. Su are based on the called and paid up capital of their respective shareholdings in Global Property which is allowed under the relevant Thai laws. Save as disclosed above, there was no consideration paid in relation to the above arrangements between Mr. Chu and each of Mr. Aja and Mr. Su.

## HISTORY AND DEVELOPMENT

Since its incorporation until 15 November 2007, Global Property had three directors, all being Thai national and Independent Third Parties. On 15 November 2007, Mr. Aja and Mr. Su were appointed as directors of Global Property. On 25 June 2008, Mr. Aja's and Mr. Su's resignations and Mr. Chu's appointment, Mr. MK Chu's appointment and Ms. Liu's appointment as directors of Global Property were effectively registered. Save as disclosed above, apart from Mr. Chu being the controlling shareholder and director of Global Property, there are no other connected relationships of Global Property with the Group.

Prior to the obtaining control of 99.95% equity interest in Global Property by Mr. Chu on 13 November 2007, Global Property was owned as to 49% by Mr. Aja and the remaining 51% by six other Thai individuals, who are Independent Third Parties.

According to the Company's Thai legal advisers, the GP Arrangements enabled Mr. Chu to be beneficially interested in, and effectively control, an aggregate of 99.95% equity interest in Global Property since 13 November 2007 until 25 March 2008. Mr. Chu may act solely to transact any business by calling for any shareholders' meeting and directors' meeting and convene such meeting and adopt any resolution Mr. Chu may desire and such resolution would be valid and lawful provided that the resolution was not against the laws of Thailand. Further, all dividends, special distributions paid and payable and all distribution of assets made or to be made in respect of the shares held by the GP Shareholders shall be solely made to Mr. Chu, and as such, all economic benefits and assets could be wholly received and controlled by Mr. Chu. Further, the fact that Mr. Chu could convene any shareholders' and director's meeting and adopt any resolution Mr. Chu may direct, together with the rights to control the appointment and removal of the directors; the key decisions, such as the purchase price of dried cassava chips quoted to the market from time to time, the entering of long term supply contracts and the approval for material payments are supervised by Mr. Chu could prevent possible leakages of assets and values to the registered shareholders.

According to the Directors, Mr. Su was an employee of Alush Thailand and Mr. Aja has been a business acquaintance of Mr. Chu for years. Mr. Su and Mr. Aja had been the directors of Global Property but both of them resigned with effect from 25 June 2008. Mr. Su had also been a director of Artsun Macao until 17 July 2006. Save as disclosed above, both Mr. Su and Mr. Aja do not have any relationship with any of the Directors, members of senior management, shareholders of the Company and its subsidiaries, or their respective associates.

In March 2008, with a view to conduct corporate reorganisation, after obtaining advices from the Company's Thai legal advisers, who confirmed that the Foreign Business Act allows a foreign national company to engage in the business of exporting agricultural products in Thailand and the Group intended to arrange Global Property to serve as the Group's Thai business vehicle, the Alush Arrangements were discontinued. Mr. Chu and each of the relevant Alush Shareholders, namely Mr. Jirasak Chuenchujitjaratkun, Ms. Liu and Mr. MK Chu, entered into a tri-party deed of assignment and set off (the "**Alush Deeds**") with Art Rich, in order to transfer all the shares controlled by Mr. Chu through

## HISTORY AND DEVELOPMENT

the Alush Arrangements to Art Rich as part of the Reorganisation. The assignment and set off processes were effected similarly such that:

1. in consideration of an aggregate amount of THB10,646,400 (equivalent to approximately HK\$2.4 million) received from Art Rich, Mr. Chu assigned all his rights, titles and benefits and interests in the debt under the Alush Arrangements to Art Rich, and the relevant Alush Shareholders sold in aggregate 70.976% interest in Alush Thailand to Art Rich at an aggregate consideration of THB10,646,400 (equivalent to approximately HK\$2.4 million), with reference to the nominal value of the paid-up capital of Alush Thailand, which were set off against the debt originally owed by the relevant Alush Shareholders to Mr. Chu under the Alush Arrangements and subsequently assigned to Art Rich under the Alush Deeds; and
2. all the relevant Alush Shareholders' obligations and liabilities under the share pledge agreements, the letters of undertaking and the proxies in the Alush Arrangements were released pursuant to the entering into of the Alush Deeds, respectively.

Further, Art Rich, Alternative View, Artwell Enterprises, Artwell Tapioca, Art Ocean, All High and Artsun Macao collectively acquired the remaining 29.024% interest in Alush Thailand, as to 29.000% from Mr. Chu at a consideration of THB4.35 million (equivalent to approximately HK\$1 million) and as to collectively 0.024% from three minority shareholders of Alush Thailand, each at a consideration of THB1,200 (equivalent to approximately HK\$270) The consideration of acquisition of Alush Thailand was based on the nominal value of paid-up capital of Alush Thailand.

Upon completion of such assignment and set off through the Alush Deeds and the share transfers, Alush Thailand is owned as to 99.996% by Art Rich and the remaining 0.004% held equally by each of Alternative View, Artwell Enterprises, Artwell Tapioca, Artsun Macao, Art Ocean and All High, respectively.

In March 2008, Mr. Su and Art Rich entered into a share transfer document, and Mr. Chu, Mr. Su and Art Rich entered into a tri-party deed of assignment and set off (the "GPC Deed") in order to transfer all the shares in Global Property held by Mr. Su and controlled by Mr. Chu through the relevant GP Arrangements to Art Rich as part of the Reorganisation. The assignment and set off processes were effected similar to that of the Alush Deed.

## HISTORY AND DEVELOPMENT

The assignment and set off process in relation to the GPC Deed are as follows:

1. in consideration of THB122,375 (equivalent to approximately HK\$27,200) received from Art Rich, Mr. Chu assigned all his rights, titles and benefits and interests in the debt under the GP Arrangement with Mr. Su to Art Rich, and Mr. Su sold his 48.95% interest in Global Property to Art Rich at a consideration of THB122,375 (equivalent to approximately HK\$27,200), which was set off against the debt originally owed by Mr. Su to Mr. Chu under the GP Arrangement and subsequently assigned to Art Rich under the GPC Deed; and
2. all Mr. Su's obligations and liabilities under the share pledge agreement, the letter of undertaking and the proxy in the relevant GP Arrangements were released pursuant to the entering into the GPC Deed.

The shareholding structure of Global Property immediately after the transfer of Mr. Su's shareholding to Art Rich in March 2008 but before the entering into of the Aja-Art Rich Arrangements and before the transfer of an aggregate of 0.05% interest in Global Property by five independent shareholders to the Group is as follows:

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Relationship with the Company	Nationality of the registered shareholders
Mr. Aja (B)	Mr. Chu	5,100 (P)	51%	THB127,500 (equivalent to approximately HK\$28,300) (based on the value of 25% paid up capital in respect of such 51% shareholding)	Mr. Aja was a business acquaintance of Mr. Chu before acquisition of Global Property by Mr. Chu and he had been a director of Global Property until 25 June 2008. Save as disclosed above, Mr. Aja does not have any relationship with any of the Directors, members of senior management, shareholders of the Company and its subsidiaries, or their respective associates.	Thai
Art Rich (S)	-	4,895 (O) (Note 2)	48.95%	-	A subsidiary of the Company	Incorporated in the BVI
Other five minority shareholders (S)	-	5 (O)	0.05%	-	Independent Third Parties	Thai
Total		10,000	100%			

Note 2: The Group effectively controlled 48.95% of the shareholdings of Global Property through the transfer under the GPC Deed.

## HISTORY AND DEVELOPMENT

In March 2008, Mr. Chu, Mr. Aja and Art Rich entered into a tri-party deed of assignment, pursuant to which Mr. Chu assigned all his rights under the GP Arrangements between him and Mr. Aja to Art Rich, at a consideration of THB127,500 (equivalent to approximately HK\$28,300) paid by Art Rich to Mr. Chu, which is equivalent to the paid-up value of the shares held by Mr. Aja. Mr. Aja and Art Rich entered into Aja-Art Rich Arrangements similar to the Alush Arrangements, such that Art Rich could be beneficially interested in and effectively control 51% equity interest in Global Property, details of which are set out below:

**(1) Loan agreement**

On 26 March 2008, Art Rich as a lender and Mr. Aja as a borrower entered into a loan agreement, pursuant to which Art Rich had lent to Mr. Aja THB127,500 (equivalent to approximately HK\$28,300).

**(2) Share pledge agreement**

As security to the repayment of his loans owed to Art Rich, Mr. Aja had also entered into a share pledge agreement with Art Rich on 26 March 2008, pursuant to which Mr. Aja agreed to pledge his shares in Global Property, representing 51% equity interests in Global Property, in favour of Art Rich, by virtue of which, Art Rich could enforce the share pledge in the event of default of the loan repayment.

**(3) Letter of undertaking**

On 26 March 2008, Mr. Aja had made a letter of undertaking whereby Mr. Aja had undertaken, among other things, to assign and direct all dividends and special distribution paid and payable by Global Property in relation to his shares in Global Property, and all distribution of assets made or to be made by Global Property in relation to his shares in Global Property solely to Art Rich.

**(4) Proxy**

On 26 March 2008, Mr. Aja also appointed Art Rich as its proxy to receive notices of shareholders meeting and to vote in all shareholders meetings of Global Property for any proposed resolution.

## HISTORY AND DEVELOPMENT

The shareholding structure of Global Property immediately after the transfer of Mr. Su's shareholding to Art Rich in March 2008 and after the entering into of the Aja-Art Rich Arrangements but before the transfer of an aggregate of 0.05% interest in Global Property by five independent shareholders to the Group is as follows:

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Relationship with the Company	Nationality of the registered shareholders
Mr. Aja (B)	Art Rich	5,100 (P) (Note 3)	51%	THB127,500 (equivalent to approximately HK\$28,300) (based on the value of 25% paid up capital in respect of such 51% shareholding)	Mr. Aja was a business acquaintance of Mr. Chu before acquisition of Global Property by Mr. Chu and he had been a director of Global Property until 25 June 2008. Save as disclosed above, Mr. Aja does not have any relationship with any of the Directors, members of senior management, shareholders of the Company and its subsidiaries, or their respective associates.	Thai
Art Rich (S)	-	4,895 (O) (Note 3)	48.95%	-	A subsidiary of the Company	Incorporated in the BVI
Other five minority shareholders (S)	-	5 (O)	0.05%	-	Independent Third Parties	Thai
Total		10,000	100%			

*Note 3:* The Group effectively controlled 99.95% of the shareholdings of Global Property through Art Rich's legal and beneficial interest in 48.95% of the shareholding in Global Property and the arrangements under the Aja-Art Rich Arrangements.

According to the Company's Thai legal advisers, a Thai national company, i.e. more than 50% of the issued shares of the company are held by Thai national, is entitled to engage in all kind of businesses in Thailand, including businesses which may be restricted to foreigners under the Foreign Business Act.

As advised by the Company's Thai legal advisers, as Global Property is a Thai national company, it can engage in any business within its scope of memorandum of association, including businesses which foreign companies in Thailand are prohibited or restricted from engaging in for the purposes of the Foreign Business Act. To allow the Group to have flexibility in engage in (though the Group presently does not have any plan or intention to do so) such businesses in Thailand in the future, the Directors decide to keep Global Property as a Thai national company through the Aja-Art Rich Arrangements and therefore, the Aja-Art Rich Arrangements will continue after the Listing. The Directors confirm that both the Group and Mr. Aja have no intention to terminate the Aja-Art Rich Arrangements. However, in case either the Group or Mr. Aja would like to cease this relationship, the Group would pursuant to the loan agreement demand for repayment of the loan, Art Rich may enforce the pledge of shares under the Aja-Art Rich Arrangements by executing the relevant share transfer documents for and on behalf of Mr. Aja and the Group has the sole discretion to demand to effect the transfer of the shares pledged by Mr. Aja to the Group under the share pledge agreement to Art Rich or any person designated by Art Rich at a consideration equal to the loan amount and such

## HISTORY AND DEVELOPMENT

consideration shall set off by the amount equal to the entire amount of the loan. Under such arrangement, the Group has right to acquire the equity interests in Global Property from Mr. Aja during the term of the loan agreement and once the repayment is demanded. Mr. Aja has also undertaken to cooperate with the Group to effect such transfer. In the event that the Aja-Art Rich Arrangements would be ceased, the Group proposes to arrange another Thai national to take up Mr. Aja's role, if necessary. In this regard, the Directors do not foresee any material problems in identifying other Thai nationals to take up Mr. Aja's role and in case of encountering difficulty, the Company's Thai legal advisers have confirmed that they could render assistance for the changing of shareholders, including to look for new shareholders to acquire the shares. The remaining five shareholders of Global Property transferred their respective one share in Global Property to each of Artwell Enterprises, Alternative View, Artwell Tapioca, Art Ocean and All High, respectively in March 2008.

Upon completion of such reorganisation of Global Property, it is controlled as to 99.95% by Art Rich and the remaining 0.05% held equally by each of Alternative View, Artwell Enterprises, Artwell Tapioca, Art Ocean and All High, respectively. Among the 99.95% interest owned and/or controlled by Art Rich, 51% was effected through the Aja-Art Rich Arrangements.

## HISTORY AND DEVELOPMENT

The shareholding structure of Global Property immediately after the transfer of Mr. Su's shareholding to Art Rich in March 2008, after the entering into of the Aja-Art Rich Arrangements and after the transfer of an aggregate of 0.05% interest in Global Property by five independent shareholders to the Group and as at the Latest Practicable Date is as follows:

Borrower ("B") or name of registered shareholders ("S")	Lender	Number of shares pledged ("P") or owned ("O")	Approximate percentage of shareholdings	Amount of loan involved	Relationship with the Company	Nationality of the registered shareholders
Mr. Aja (B)	Art Rich	5,100 (P) (Note 4)	51%	THB127,500 (equivalent to approximately HK\$28,300) (based on the value of 25% paid up capital in respect of such 51% shareholding)	Mr. Aja was a business acquaintance of Mr. Chu before acquisition of Global Property by Mr. Chu and he had been a director of Global Property until 25 June 2008. Save as disclosed above, Mr. Aja does not have any relationship with any of the Directors, members of senior management, shareholders of the Company and its subsidiaries, or their respective associates.	Thai
Art Rich (S)	-	4,895 (O) (Note 4)	48.95%	-	A subsidiary of the Company	Incorporated in the BVI
Alternative View (S)	-	1 (O) (Note 4)	0.01%	-	A subsidiary of the Company	Incorporated in the BVI
Artwell Enterprises (S)	-	1 (O) (Note 4)	0.01%	-	A subsidiary of the Company	Incorporated in Hong Kong
Artwell Tapioca (S)	-	1 (O) (Note 4)	0.01%	-	A subsidiary of the Company	Incorporated in Hong Kong
Art Ocean (S)	-	1 (O) (Note 4)	0.01%	-	A subsidiary of the Company	Incorporated in the BVI
All High (S)	-	1 (O) (Note 4)	0.01%	-	A subsidiary of the Company	Incorporated in the BVI
<b>Total</b>		<b>10,000</b>	<b>100%</b>			

*Note 4:* The Group effectively controlled 100% of the shareholdings of Global Property through the Group's legal and beneficial interest in 49% of the shareholding in Global Property and the Group's control of 51% of the shareholding in Global Property through the arrangements under the Aja-Art Rich Arrangements.

## HISTORY AND DEVELOPMENT

The Aja-Art Rich Arrangements enable Art Rich to act solely to transact any business of Global Property by calling for any shareholders' meeting and directors' meeting and convene such meeting, adopt any resolution Art Rich may desire and such resolution is valid and lawful provided that the resolution is not against the laws of Thailand and all dividends, special distributions paid and payable and all distribution of assets made or to be made in respect of the shares held by Mr. Aja in Global Property to be solely made to Art Rich, and as such, all economic benefits and assets could be wholly received and controlled by Art Rich. Further, the fact that Art Rich could convene any shareholders, and director's meeting and adopt any resolution, Art Rich may direct, together with the rights to control the appointment and removal of the directors, and the key decisions, such as the purchase price of dried cassava chips quoted to the market from time to time, the entering of long term supply contracts and the approval for material payments are supervised by the Group's headquarters could prevent possible leakages of assets and values to the registered shareholders. The Company's Thai legal advisers confirmed that the board of directors' resolutions of Alush Thailand and Global Property during the Track Record Period in respect of structure contract are in accordance with the Thai laws.

The Aja-Art Rich Arrangements, together with the registered shareholding of the Group in Global Property, in effect enables the Group to be beneficially interested in, and effectively control, the entire equity interests in Global Property, and the economic benefits and assets could be wholly received and controlled by the Group. Accordingly, Global Property is regarded as a subsidiary of the Group and its financial results have been included in the Group's combined financial statements.

For good corporate governance practice, the Group will implement the following corporate governance measures regarding the Aja-Art Rich Arrangements:

- (1) the Company will disclose whether the Aja-Art Rich Arrangements in place during each financial period in the annual report and accounts are in accordance with the relevant provisions of Rule 14A.45 of the Listing Rules;
- (2) the independent non-executive Directors will review the Aja-Art Rich Arrangements annually and confirm in the annual report and accounts for the relevant year that the Aja-Art Rich Arrangements remain unchanged and consistent with existing disclosure and that no dividends or other distributions have been made by Global Property to Mr. Aja and the Other Contracts during the relevant financial period are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole;
- (3) the Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Aja-Art Rich Arrangements and the Other Contracts, and to provide a confirmation to the Board, with a copy to the Stock Exchange, at least 10 business days before the bulk-printing of the Company's annual report, confirming that the economic interest generated by Global Property flows to the Group is in accordance with the criteria and principles set out in the Aja-Art Rich Arrangements and the Other Contracts and is properly approved by the directors of Global Property and that

## HISTORY AND DEVELOPMENT

no dividends or other distributions have been made by Global Property (save as to Art Rich, Artwell Tapioca, All High, Alternative View, Artwell Enterprises and Art Ocean) to Mr. Aja;

- (4) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, each of Global Property and any other newly established operating companies, will be treated as a wholly-owned subsidiary of the Company, but at the same time, the directors, chief executive and substantial shareholders of Global Property and any other newly established operating companies, and their respective associates will be treated as “connected persons” of the Group and transactions (excluding the Aja-Art Rich Arrangements) between these connected persons and the Group (including Global Property and any other newly established operating companies), shall comply with Chapter 14A of the Listing Rules; and

Global Property has provided to the Company an undertaking that, for so long as the Shares are listed on the Stock Exchange, Global Property will allow the Company and its auditors to have full access to relevant records of Global Property for the purpose of the Company’s auditors’ review of the transactions referred above.

As confirmed by the Company’s Thai legal advisers, (i) the Alush Arrangements, the GP Arrangements and the Aja-Art Rich Arrangements are lawful, valid, legally effected, binding and enforceable under the laws of Thailand because there are no provisions under the relevant documents that violate the laws of Thailand, there has been no creation of any illegal shareholding; (ii) the Alush Arrangements, the GP Arrangements and the Aja-Art Rich Arrangements, together with the registered shareholding of Mr. Chu and/or Art Rich (as the case may be), enable Mr. Chu and/or Art Rich (as the case may be) to be beneficially interested in, and effectively control an aggregate of not less than 99.976% equity interest in Alush Thailand since its incorporation until immediately prior to the acquisition of Alush Thailand by the Group as part of the Reorganisation, and an aggregate of 99.95% equity interest in Global Property; (iii) Alush Thailand and Global Property have obtained and effected all licenses, approvals, consents, certificates registrations and filings and recordations required under the laws of Thailand for the establishment and the continuing existence as well as operating within their respective business scope, whereas no approval, consent, permit, authorisation, licence, registration, filing nor any recordation required under the laws of Thailand by/with any of the Thai governmental, administrative or regulatory authority or body (whether national, provincial or local level) or any subdivision or department of any such authority or body is required in connection with execution, delivery, effectiveness and enforceability of all the contracts under each of the Alush Arrangements, GP Arrangements and Aja-Art Rich Arrangements. The Directors confirmed that Alush Thailand and Global Property have been in full compliance with all applicable laws, rules and regulations of Thailand and there has been no objection by any regulatory authorities in Thailand to any of the contracts or agreements entered into under the Alush Arrangements, the GP Arrangements and the Aja-Art Rich Arrangements.

## HISTORY AND DEVELOPMENT

As advised by the Company's Thai legal advisers, no appropriate regulatory assurance from any regulatory authorities is available regarding the Alush Arrangements, the GP Arrangements and the Aja-Art Rich Arrangements and there is no official authority which can give opinion on any contractual arrangement between private sectors if their contractual arrangement is legal or lawful. As the Alush Arrangements, GP Arrangements and Aja-Art Rich Arrangements are purely commercial contracts between private parties, and as long as it is not against the law, or against any person's right, the legality of which will not be challenged. There is a State Juridical Office in Thailand, which is responsible to provide opinion on legal issues for the government contracts or queries from any government organisations; it is not responsible for answering any queries from the general public regarding private contractual relationships. If the contracting parties have any disputes regarding the legality on the contract between each others, they could raise such contractual disputes to be resolved through civil litigations in the courts. As such the Company's Thai legal advisers confirm that all reasonable actions or steps to enable them to reach their conclusions had been taken. Based on the advice of the Company's Thai legal advisers, the Sponsor concurs with the Directors' view that all possible actions or steps to enable them to reach their conclusions had been taken. Based on the above, since there are no requirements for registration of the Alush Arrangements, the GP Arrangements and Aja-Art Rich Arrangements under the existing Thai laws and regulations and there is no consultation channel available for any objection to those contracts and the Company's Thai legal advisers also noted that based on the legal search conducted, no case precedent could be found which confirmed any similar contractual arrangement is illegal. The Alush Arrangements, the GP Arrangements and Aja-Art Rich Arrangements have not been challenged by any parties, and as such, there has been no objection by any regulatory authorities in Thailand. Having considered the view of the Company's Thai legal advisers in respect of the Aja-Art Rich Arrangements, Alush Arrangements and GP Arrangements, the Sponsor is of the view that the relevant arrangements taken as a whole are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## CORPORATE GOVERNANCE

In view of the pre-Listing unintentional oversight of certain financial, legal and statutory requirements under the laws of different jurisdictions which the Group engages its business in and/or for the protection of Shareholders' interests, the Group has implemented the following to ensure good corporate governance practices after Listing:

1. in respect of the carrying on of businesses within the approved scope of business, the timely injection of registered capital, the timely financial reporting and the timely filing of tax and other statutory documents in compliance with the relevant laws and regulations of different jurisdictions:
  - (i) in respect of setting up new companies in different jurisdictions in the future or applying for renewal of existing business license or tax filing, the Group will seek competent corporate and legal experts to ensure full compliance with laws and regulations in relevant jurisdictions; and

## HISTORY AND DEVELOPMENT

- (ii) the Group has implemented a periodic review procedure to monitor the Group's internal control matters, including review of the Group's business scope, particularly in case of the commencement of new business lines, against its business licenses by its executive Directors and the group financial controller, with reference to the control list, and consulting with legal experts when necessary;
2. in respect of related party advancement, stringent monitoring procedures are in place to monitor any loans and advances made by the group members in the PRC from time to time during the Track Record Period. The monitoring procedures to prevent the occurrence of such advances include:
  - (i) monthly review of the management accounts by the executive Directors;
  - (ii) issue a group restricted advance list regularly, but not frequent than annual; and
  - (iii) all funds transfer exceeding a threshold of HK\$1,000,000 must be reviewed and approved by both the chief financial officer of the Company and an executive Director;
3. in preparation of the Listing, the Group has employed four qualified accountants namely Mr. Chan Yuk Tong (an executive Director), Mr. Shum Shing Kei (the chief financial officer of the Company), Mr. Chan Chi Wai Benny (the financial controller of the Group) and Mr. Wong Hoi Pang (deputy group financial controller), the Group will retain under their employment or with the assistance of external professionals an appropriate finance and accounting team with relevant qualifications and experience for carrying out the internal controls relevant in monitoring the Group's financial and corporate matters, including internal control matters as aforesaid;
4. the Group has established an audit committee comprising the three independent non-executive Directors to uphold stringent corporate governance and internal control implemented by the Group and, amongst other matters, ensure timely financial reporting;
5. in respect of its Thai operation, the Group has:
  - (a) established a management committee comprising Mr. Chu, Ms. Liu, Mr. MK Chu, all are executive Directors, and Mr. Chan Chi Wai Benny, the financial controller of the Group, which is chaired by Mr. Chu, and assisted by the staff in Thailand in:
    - (i) overseeing the business and operations of both Alush Thailand and Global Property;

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- (ii) formulating the business strategies of Alush Thailand and Global Property;
  - (iii) advising on the daily procedures for the management of Alush Thailand and Global Property;
  - (iv) reviewing of the F.O.B. price and purchase price of dried cassava chips; and
  - (v) setting up policies for safeguarding the assets of Alush Thailand and Global Property, such as, periodic assets counts, segregation of duties in authorising payments with high limits, segregation of duties in cash payments and book entries and monthly review of the financial statements of Alush Thailand and Global Property; and
- (b) implemented a departmental reporting mechanism, to ensure that proper records, and procedures in respect of procurement, inventory control, fixed assets management, human resources management, financial analysis and information technology system management have been implemented and reported to the management in order to centralise all key decision making as well as to manage each key process in business operation in Thailand.

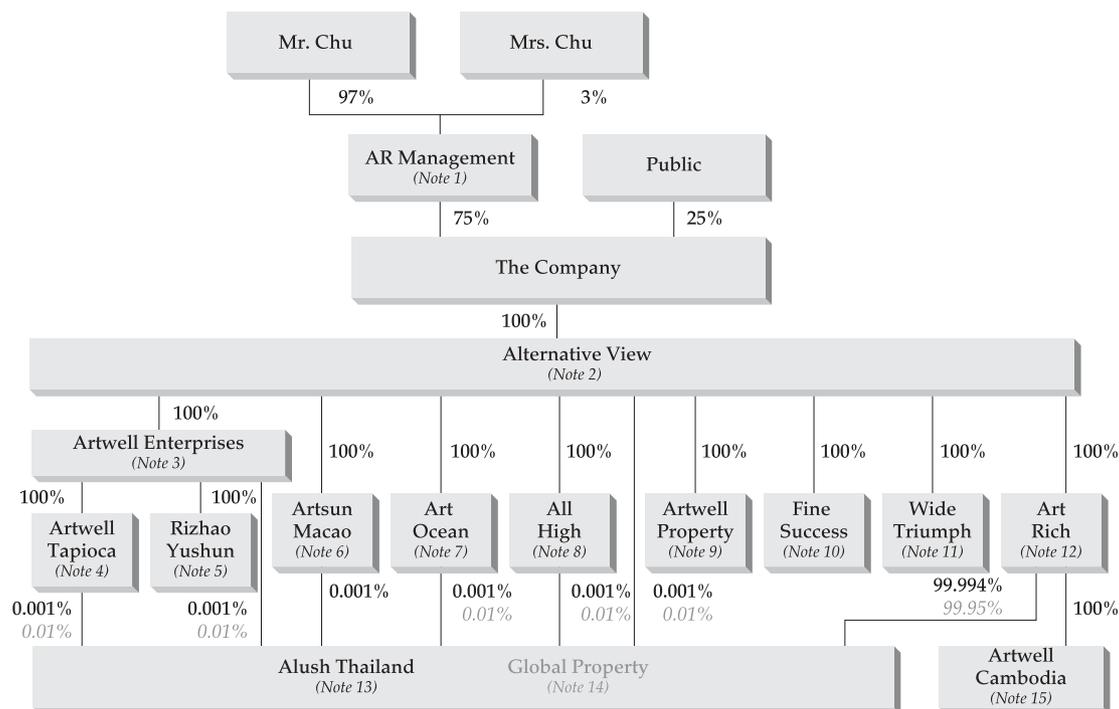
As such, the Directors consider that the Group has taken all reasonable actions or steps to protect the Shareholders' interest and financial resources, implement management systems and corporate governance practices.

## SHAREHOLDING AND CORPORATE STRUCTURE

In preparation for the listing of the Shares on the Stock Exchange, the Group completed the Reorganisation on 18 February 2009, as a result of which the Company became the holding company of the Group. The Company was incorporated in the Cayman Islands on 8 May 2008. The corporate structure, the places of incorporation and principal activities of the group companies and the shareholding structure of the Group immediately following the completion of the Share Offer and the Capitalisation Issue, taking no account of any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any allotment and issue and/or repurchase of Shares by the Company under the general mandates as referred to in the paragraph headed "Written resolutions of the sole

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Shareholder” set out in the Appendix V to this prospectus), and assuming that the Over-allotment Option is not exercised, are set out below:



*Notes:*

1. AR Management was incorporated in the BVI and is principally engaged in investment holding.
2. Alternative View was incorporated in the BVI and is principally engaged in investment holding and property investment.
3. Artwell Enterprises was incorporated in Hong Kong and is principally engaged in property investment and investment holding.
4. Artwell Tapioca was incorporated in Hong Kong and is principally engaged in the trading of dried cassava chips.
5. Rizhao Yushun was established in the PRC and is a wholly foreign-owned enterprise. Rizhao Yushun is principally engaged in the trading of dried cassava chips.
6. Artsun Macao was incorporated in Macau and is principally engaged in the trading of dried cassava chips.
7. Art Ocean was incorporated in the BVI and is principally engaged in the holding of trademarks.
8. All High was incorporated in the BVI and is principally engaged in investment holding and the provision of shipping agency service.
9. Artwell Property was incorporated in Hong Kong and is principally engaged in property investment.
10. Fine Success was incorporated in Hong Kong and is principally engaged in property investment.

## HISTORY AND DEVELOPMENT

11. Wide Triumph was incorporated in Hong Kong and is principally engaged in property investment.
12. Art Rich was incorporated in the BVI and is principally engaged in investment holding.
13. Alush Thailand was incorporated in Thailand and is principally engaged in the procurement and sales of dried cassava chips.
14. Global Property was incorporated in Thailand and is principally engaged in the procurement and processing of fresh cassava roots and the procurement and sales of dried cassava chips. 51% interest of Global Property is registered under the name of Mr. Aja and controlled by Art Rich through the Aja-Art Rich Arrangements entered into between Art Rich and Mr. Aja.
15. Artwell Cambodia is incorporated in Cambodia and is intended to be principally engaged in the procurement and sales of dried cassava chips. Up to the Latest Practicable Date, Artwell Cambodia has not yet commenced its intended operations.

## **OVERVIEW**

The Group was the largest exporter of dried cassava chips in Thailand and the largest supplier of dried cassava chips imported from Thailand to the PRC from 2003 to 2007 by export volume based on the annual reports of TTTA. The Group's products can be used for the production of ethanol fuel; however, the majority of the Company's products were not used for the production of new energy during the Track Record Period and the Group does not possess any proprietary technology in new energy development. The Group sources dried cassava chips from Southeast Asia principally in Thailand, stores dried cassava chips in the leased warehouse facilities in Thailand, organises shipping and delivery logistics and supplies its products mainly under the "Artwell" brand to its customers in the PRC. Based on the information from the FAO, the PRC was the largest dried cassava importing country in the world and Thailand was the largest dried cassava exporting country in the world with a market share of over 70% and supplied over 80% of the PRC's total imports of dried cassava in 2005. Based on the information from the TTTA annual reports, Thailand's exports of cassava chips to China in 2006 were approximately 3.96 million tonnes, which increased by approximately 43% from approximately 2.77 million tonnes in 2005. However, the export of cassava chips and pellets to China reduced to 3.22 million tonnes in 2007, representing a decrease of approximately 19% as compared with that in the previous year. Based on the information from the TTTA Newsletters between January and December 2008, Thailand's exports of cassava chips to China for this period were approximately 1.05 million tonnes.

Dried cassava chips are made from fresh cassava roots that have been chopped into small pieces and sun-dried for two to three days and may be used for the production of ethanol fuel, consumable ethanol, animal feed and other chemical products. The Group sources its fresh cassava roots from a network of over 30 suppliers and dried cassava chips from over 200 growers, processors and cassava traders. Currently, major cassava plantation in Thailand can be found in the north-eastern, northern and central (including the eastern) regions with many cassava growers spreading across the regions. Cassava plantation has a recorded history of over 45 years and is one of the major exported agricultural products in Thailand. The cassava supply network in Thailand involves not only cassava growers but also processors and cassava traders. The Group has established its foothold in its cassava procurement business in Thailand since 2001 and has maintained good business relationships with its major suppliers. The Group implements a "365-day open door policy" for purchases of cassava chips with payment within the next two business days as long as the product quality fulfills the Group's requirements. This is seen by the Directors as a major barrier for new entrants, as making such a commitment not only requires adequate working capital but also the necessary infrastructure, such as the warehousing and port-loading facilities and an established sales network.

The Group also sources fresh cassava roots from growers. Processing and drying of fresh cassava roots into dried cassava chips are carried out by a processor, on an exclusive basis, engaged by the Group in a drying yard in Khlong Lan, Thailand, having a site area of approximately 79,816m<sup>2</sup>, pursuant to a management contract between Global Property and a Thai national, an Independent Third Party (the "Processor"). The contract is for a term of 30 years commencing from 16 January 2007. The Processor has been granted a right to occupy and use the land of the drying yard by the relevant governmental authorities

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perpetually commencing from 1 April 2008, provided that if the Processor is requested by Ministry of Agriculture in Thailand, he needs to sign a lease agreement of the land for a period of 30 years at a nominal fee. As advised by the Company's Thai legal advisers, no such request has been received from the Ministry of Agriculture as at the Latest Practicable Date. The Group has granted an interest-free loan of THB5.6 million (equivalent to approximately HK\$1.2 million) to the Processor which was recorded as a prepayment of the Group as of 31 March 2008, and a processing fee of THB186,666 (equivalent to approximately HK\$41,400) is payable by the Group each year, which will be set off against the outstanding balance of the loan owed by the Processor to the Group. Such prepayment was amortized to approximately THB5.5 million (equivalent to approximately HK\$1.2 million) as at 31 August 2008. During the term of the loan, the Processor is prohibited from disposing its interests in the land of the drying yard without the prior written consent of Global Property. In addition, the Group has also been granted an option to purchase the land of the drying yard from the Processor exercisable by the Group when and if a proper title deed of the land of the drying yard can be issued and Thai law is relaxed to permit Global Property to own the land of the drying yard at a price equivalent to the then outstanding balance of the loan at the time the option is exercised. As advised by the Company's Thai legal advisers, the provision of loan of THB5.6 million (equivalent to approximately HK\$1.2 million) in relation to the drying yard, the agreement of which is governed by the laws of Thailand, is legal, valid and enforceable under the Thai laws and the Group is not subject to any penalties as a result of the provision of such loan. Subsequent to the acquisition of Global Property by the Group in November 2007, the fresh cassava roots sourced by the Group amounted to approximately 533.1 tonnes for the financial year ended 31 March 2008 and nil tonne for the five months ended 31 August 2008 since it was during the non-harvest season.

The Group sells its products either through direct sales or sales from warehouses. In respect of direct sales, the Group will negotiate a sales contract with its customers and a sourcing contract with its suppliers respectively and will conclude the sourcing contract with its suppliers either before or after the signing of the sales contract with its customers. Depending on the market conditions, such as when the Group foresees an increasing shortage in the supply side in the near future, the price of the cassava chips is in the increasing trend and/or the market demand in the PRC is strong, the Group may enter into the sourcing contract with its suppliers prior to the signing of the sales contract so as to secure sufficient supply to meet the market demand. Prior approvals of Mr. Chu were sought for the entering of such contracts prior to the Listing. The products will then be shipped to the designated port of delivery without being stored in the Group's warehouses. During the Track Record Period, the Group did not encounter any serious difficulties in selling the dried cassava chips with profit after signing the sourcing contract for its direct sales. In respect of sales from its warehouses, the Group's procured cassava chips will first be stored in the Group's warehouses in Thailand before the Group arranges for shipment to different customers. For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, direct sales accounted for about 28.4%, 17.7%, 25.1% and 42.6% of the total revenue of the Group in the respective years or period while sales from warehouse accounted for about 71.6%, 82.3%, 74.9% and 57.4% of the total revenue of the Group in the respective years or period.

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Logistics arrangement is crucial to the supply chain of the Group. The Group has maintained business relationships with over 80 dry bulk vessel operators with capacities ranging from approximately 5,000 tonnes to 50,000 tonnes. The dry bulk vessel operators usually enter into voyage charters with the Group. Given the Group's established sales network and the market demand in the PRC, the Group has a flexible shipping arrangement in terms of volume shipped. The Group is able to match its orders on hand with the individual capacity of the dry bulk vessels. The Group's storage facilities in Bangsai, Sriracha and Bangpakong in Thailand are conveniently located in the vicinity of the port facilities where transport of dried cassava chips can be easily handled. The Group's warehouse facilities in Bangsai has a gross floor area of approximately 5,217m<sup>2</sup> and can store up to about 18,000 tonnes of dried cassava chips. It is located near the Chao Phaya river where lighters are commonly used for transporting large quantities of cassava chips directly from the warehouse to where the dry bulk vessels are berthed. Under the lease of its warehouse in Bangsai, the Group also has the priority right to rent other warehouses within the same location rented by the sub-lessor (subject to the first right to rent by the sub-lessor and its affiliated companies), which altogether has an additional gross floor area of approximately 16,940m<sup>2</sup> and can store up to about 67,000 tonnes of dried cassava chips. The Group has also leased warehouse facilities in Sriracha. They, in aggregate, have gross floor area of approximately 10,300m<sup>2</sup> and can store up to about 80,000 tonnes of cassava chips and is equipped with a conveyor belt which may link directly between the warehouses and the dry bulk vessel once a vessel is docked at the end of the 3 kilometre long conveyor belt, which is, to the best of the knowledge of the Directors, the only one in Thailand allowing dried cassava chips to be conveyed from a warehouse to an ocean vessel directly. This loading method is regarded by the Directors as time-efficient and cost-effective for loading dried cassava chips onto dry bulk vessels. The Group also leases another warehouse facilities in Bangpakong, Thailand, which allows the Group to store up to about 7,500 tonnes of dried cassava chips with a gross floor area of approximately 2,640m<sup>2</sup>. Bangpakong is located in the north of Sriracha and is near the Bangpakong River. The vicinity of its warehouses to the port facilities allows the Group to shorten the lead time for cargo readiness of its products. For example, it would take about three days for the Group to deliver up to about 40,000 tonnes of dried cassava chips from its various warehouses to a dry bulk vessel berthed at the port near Sriracha and load the lighters with dried cassava chips from all the Group's warehouses where the lighters would transport the goods to the ports near Sriracha and load the goods onto the dry bulk vessel. This logistical flexibility allows the Group to negotiate favourable shipping rates with dry bulk vessel operators as it reduces the number of days at dock.

Given that the Group was the largest exporter of dried cassava chips in Thailand and the largest supplier of dried cassava chips imported from Thailand to the PRC from 2003 to 2007 based on the annual reports of TTTA, the Group has leverage in setting the pricing of dried cassava chips that it sources in the Thai market. The Group has established an internal procurement pricing policy to determine the pricing of its cassava purchases. When formulating its offer price, the Group will take into account, among other factors, (a) the then prevailing market prices; (b) general market analysis of the demand of cassava in the PRC; (c) growing area and yield of cassava in Thailand; (d) cassava harvesting conditions; (e) currency conversion rate between the THB and the US dollars; and (f) its inventory level.

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Based on information from the TTTA's annual reports from 2003 to 2007, Alush Thailand's and other top five exporters' market shares by export volume of dried cassava chips are as follows:

Exporters (Shipping volume in '000 tonnes)	2003		2004		2005		2006		2007	
Alush Thailand (Note)	612	31%	480	19%	494	18%	676	17%	562	18%
Top 5 exporters (other than Alush Thailand)	781	40%	1,175	46%	1,284	46%	1,918	48%	1,304	42%
Others	<u>581</u>	29%	<u>915</u>	35%	<u>988</u>	36%	<u>1,373</u>	35%	<u>1,264</u>	40%
Total	<u>1,974</u>	100%	<u>2,570</u>	100%	<u>2,766</u>	100%	<u>3,967</u>	100%	<u>3,130</u>	100%

Note: Alush Thailand ranked number one in shipping volume from 2003 to 2007.

Some of the Group's customers have had business relationships with the Group for over five years. The Group sells its quality products mainly under the "Artwell" brand with timely delivery to its customers. The "Artwell" brand is well-known among the Group's PRC customers. During the Track Record Period, the Group's customers included trading companies and manufacturers of consumable ethanol, ethanol fuel and chemical products.

The Group has five offices and liaison centres in various cities in the PRC, namely Rizhao, Qingdao, Jinan, Lianyungang and Shenzhen. In order to serve its customers in the eastern and north-eastern China, the Group ships its cassava chips from Thailand to ports in China which are equipped with the unloading of bulk goods, such as cassava chips, including Rizhao, Lianyungang and Lanshan.

The gross profit margin of the Group's sales from warehouse remained relatively stable for the financial years 2006 and 2007 at approximately 26.0% and 26.2% respectively. The approximately 1.6 percentage point increase in the Group's gross profit margin in respect of sales from warehouses from approximately 26.2% in the financial year 2007 to approximately 27.8% in the financial year 2008 was mainly due to the upward price trend of dried cassava chips in the market and the strategy adopted by the Group, being constantly engaged in holding dried cassava chips at warehouses in a rising price environment. The gross profit margin of the Group's sales from warehouse remained relatively stable for the five months ended 31 August 2007 and 2008 at approximately 26.3% and 27.7%. The approximately 1.4 percentage point increase in the Group's gross profit margin in respect of sales from warehouse was mainly due to the upward price trend of dried cassava chips in the market and the strategy adopted by the Group being engaged in holding dried cassava chips at warehouses in a rising price environment.

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The gross profit margin of the Group's direct sales remained relatively stable for the years 2006 and 2007 at approximately 14.0% and 15.1% respectively. The gross profit margin of the Group's direct sales for the year 2008 increased by 7.0 percentage points to 22.1% from 15.1% for the year 2007. This was mainly because the Group has selectively focused on direct sales transactions with higher margin in order to enhance profit in the circumstances of upward price trend of dried cassava chips in the market. The gross profit margin of the Group's direct sales for the five months ended 31 August 2008 decreased by approximately 8.3 percentage points to approximately 14.6% from approximately 22.9% for the five months ended 31 August 2007. The supply of dried cassava chips from Thailand during the five months ended 31 August 2008 was squeezed by the surge in demand of cassava hard pellets in Europe during the previous harvest season. The traders made upward adjustments to their price level of dried cassava chips accordingly and the Group's cost of sales for direct sales were increased, which resulted in a decrease in gross profit margin back to level of approximately 15%.

The Group's net profit has grown significantly during the three financial years ended 31 March 2008. Its revenue for the three financial years ended 31 March 2008 grew at CAGR of approximately 10.4% from HK\$740.9 million for the financial year ended 31 March 2006 to HK\$903.6 million for the financial year ended 31 March 2008. The net profit for the three financial years ended 31 March 2008 were HK\$15.3 million, HK\$34.1 million and HK\$101.9 million respectively, representing a CAGR of approximately 158.1%. Revenue of the Group increased by approximately HK\$60.8 million, or approximately 22.2%, from approximately HK\$273.7 million for the five months ended 31 August 2007 to approximately HK\$334.5 million for the five months ended 31 August 2008. Profit for the period of the Group decreased by approximately HK\$22.9 million, from approximately HK\$27.7 million in the five months ended 31 August 2007 to approximately HK\$4.8 million in the five months ended 31 August 2008. The decline was mainly attributable to (i) losses of non-cassava nature for the five months ended 31 August 2008, including in particular the fair value loss on investment properties of approximately HK\$8.7 million, deficit on revaluation of property, plant and equipment of approximately HK\$0.5 million for the five months ended 31 August 2008 due to general decline in the property market in Hong Kong; (ii) gain on disposal of available-for-sale investment of approximately HK\$16.2 million for the five months ended 31 August 2007; and (iii) the tax effect of items (i) and (ii) above. For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, the Group sold approximately 759,000 tonnes, 812,000 tonnes, 667,000 tonnes and 198,000 tonnes of dried cassava chips, respectively.

### COMPETITIVE STRENGTHS

The Directors believe the Group's success can be attributed to the following key strengths:

#### **Extensive procurement network and stable supply**

The Group sources its products from an extensive network of over 200 growers, processors and cassava traders mainly in Thailand. The Group has business relationships of over five years with its key suppliers. The Group has a long-term supply contract for a term of four years commencing from 1 April 2007 with its largest supplier, pursuant to

which the largest supplier agreed to supply a minimum quantity of 100,000 tonnes of cassava chips for each of the four years ending 31 March 2011, respectively. The Group has also entered into an exclusive long-term supply contract for a term of over five years with a supplier in Laos, pursuant to which the supplier agreed to supply to the Group, and the Group agreed to purchase from the supplier a minimum quantity of 100,000, 120,000, 150,000, 200,000 and 250,000 tonnes of cassava chips for each of the five years ending 31 December 2013. Such an extensive procurement network and the above mentioned long-term supply contracts ensure the Group's access to a steady supply of cassava chips. The Group has not commenced purchases from this cassava supplier in Laos as at the Latest Practicable Date.

### **Strategic location of storage facilities in Thailand**

The Group's storage facilities in Bangsai, Sriracha and Bangpakong are conveniently located in the vicinity of the port facilities where export of dried cassava chips can be easily handled. Details of the leases entered into by the Group in respect of these facilities are more particularly referred to in the paragraph headed "Transportation and logistics" in this section. The Group has occupied these storage facilities in Bangsai, Sriracha and Bangpakong since 2001, 2003 and 2007 respectively. Further, the Group has access to the ports, loading facilities and equipments, including the conveyor belt in Sriracha which facilitates the loading of large quantity of about 7,600 tonnes cassava chips per day directly onto the dry bulk vessels. The vicinity of its warehouses to the port facilities allows the Group to shorten the lead time for cargo readiness of its products. For example, it would take about three days for the Group to deliver up to about 40,000 tonnes of dried cassava chips from its various warehouses to a dry bulk vessel berthed at the port near Sriracha and to load the lighters with dried cassava chips from all the Group's warehouses where the lighters would transport the goods to the ports and load the goods onto the dry bulk vessel. This reduces the number of days at dock of the dry bulk vessels, and provides the Group with flexibility to negotiate for a preferential shipping rate.

### **Established customer base**

The Group has established business relationships with its top five largest customers for the three years and five months ended 31 August 2008 from two to seven years. The Group has established business relationship with Henan Tianguan, an Independent Third Party and one of the five largest customers of the Group in the financial year ended 31 March 2008 and was the seventh largest customer of the Group for the five months ended 31 August 2008. A subsidiary of Henan Tianguan is one of the four authorised ethanol fuel producers in the PRC. The Group also has established a distribution network in the PRC with a customer base of over 40 in the PRC, including trading companies, manufacturers of consumable ethanol, ethanol fuel and chemical products. The Group believes that its ability to maintain a diversified customer base is mainly attributable to the quality of its products, its market position, and its professional management.

### **Effective supply chain**

The Group has an experienced logistics management team and the majority of the team members have over 10 years of relevant experience. The Group has built up business

relationships with over 80 dry bulk vessel operators. Given that the Group was the largest exporter of dried cassava chips in Thailand from 2003 to 2007 based on the annual reports of the TTTA, its network of vessels operators provided the Group with the flexibility to select vessels having capacities ranging from 5,000 tonnes to 50,000 tonnes to meet the delivery requirements of its clients.

#### **Progression into upstream supply chain**

The Group started to source fresh cassava roots in January 2008, subsequent to its gain of effective control over Global Property through the GP Arrangements in November 2007. These fresh cassava roots are supplied to a processor engaged by the Group for a term of 30 years commencing from 16 January 2007 for processing and drying. Processed dried cassava chips are stored in the Group's warehouses. The Group believes its progression into upstream supply chain that combines cassava chips and roots sourcing, processing and delivery logistics in one single operational platform will enhance its operating efficiencies.

#### **Quality control and well-recognised brand name**

The Group's quality control of its product has earned recognition among its customers. The "Artwell" brand dried cassava chips sold by the Group generally contains a starch content of 67% or above, which is higher than the Standard of Cassava Product of 65% prescribed by the Ministry of Commerce of Thailand.

Apart from its in-house quality control laboratory for monitoring the quality of its cassava chips, the Group and its customers also hire independent surveyors to examine the quality of dried cassava chips and issue certificate of quality. The Group believes that its quality control measures would enable the Group to expand its sales network further.

#### **Experienced and dedicated management team**

The long-term commitment of the Group's senior management and operating team to its business has helped them obtain in-depth knowledge of the relevant industries and enabled them to respond to various challenges in the ever-changing market. The Group's senior management team built up its corporate culture to emphasise high quality and positioned themselves as a provider of high quality dried cassava chips.

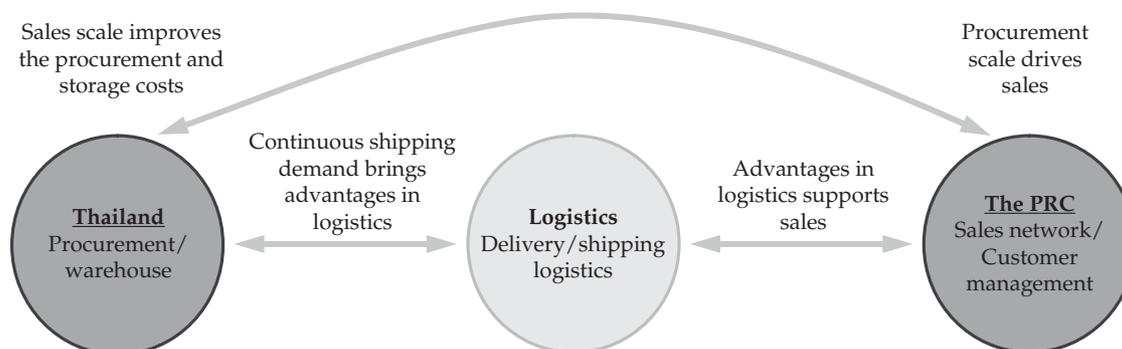
#### **Bargaining leverage**

The Group was the largest exporter of dried cassava chips in Thailand and the largest supplier of dried cassava chips imported from Thailand to the PRC from 2003 to 2007 based on the annual reports of TTTA. The Group's dominant position in the Thai market gives it leverage in setting the pricing of dried cassava chips that it sources in Thailand.

# BUSINESS

## Interconnection of the core strengths

The following chart briefly illustrates the interconnection between the Group's three core strengths:



The Group's extensive procurement network is supported by its shipping and delivery logistics capability and an established customer base. On the other hand, since the Group has extensive procurement network and an established sales market, it has to enhance its shipping and delivery logistics capability in order to support both upstream and downstream operations. Finally, the Group's sales market must be supported by its procurement network and the necessary shipping and logistics arrangement. All in all, the Group's three core strengths above are interconnected and reinforce each other.

## PRODUCTS

### Introduction

Cassava is a tropical crop requiring warm humid climate. It is known for its drought tolerance and hence being grown as rain fed crop successfully. Cassava plant is a perennial plant that grows under cultivation to a height of about 1–4 metres. The large, dark-greenish, palmate leaves ordinarily have 5–9 lobes borne on a long slender petiole. The roots or tubers radiate from the stem just below the surface of the ground. Cassava root is composed of approximately 14–40% starch. Cassava is a multi-purpose plant and nearly all parts of cassava from roots to leaves can be used. Cassava is one of the major exported agricultural products in Thailand. In the PRC, cassava is considered as a non-grain bio-fuel raw material by the NDRC.

Dried cassava chips are made from cassava root that has been chopped into small pieces and sun-dried for 2 to 3 days. Based on the Group's experience, approximately 2.1 kg of fresh cassava roots can be processed into 1 kg of dried cassava chips. Pursuant to the announcement made by the Ministry of Commerce of Thailand, the commodity standard for cassava chips must have a minimum starch content of 65%, fibre content of not more than 5%, moisture content of not more than 14% and sand or soil content of not more than 3%, by weight.

Major cassava plantation in Thailand can be found mainly in the north-eastern, northern, and central (including the eastern) regions. Generally, farmers will sell fresh cassava roots to cassava traders and processors for processing in Thailand.

## **Usage of Cassava Chips**

Cassava chips can be used for the production of the following products:

(i) *Ethanol fuel*

Ethanol fuel is a renewable form of energy. Ethanol may be produced by fermenting and distilling starchy crops such as cassava that have been converted into sugars. It can be used in pure form or blended with petrol (gasoline) as automotive fuel and used as a substitute for petrol. Since according to the 《可再生能源中長期發展規劃》 (The Mid and Long-Term Development Plan For Renewable Energy) as announced by the NDRC, the production capacity of ethanol fuel projects with grain feedstock as raw material will not be increased in the PRC, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will lead to increase in the demand for imported dried cassava chips in the PRC.

(ii) *Consumable ethanol*

Consumable ethanol is colourless, volatile liquid with mild odour which can be obtained by the fermentation of sugars derived from cassava. Consumable ethanol is commonly used as a raw material in the food and beverage industry.

(iii) *Chemical products*

Chemical products such as citric acid can also be produced from cassava. Citric acid is an organic acid and can be produced from cassava chips. It is a natural preservative and is also used to enhance acidity or sour taste to food and soft drinks.

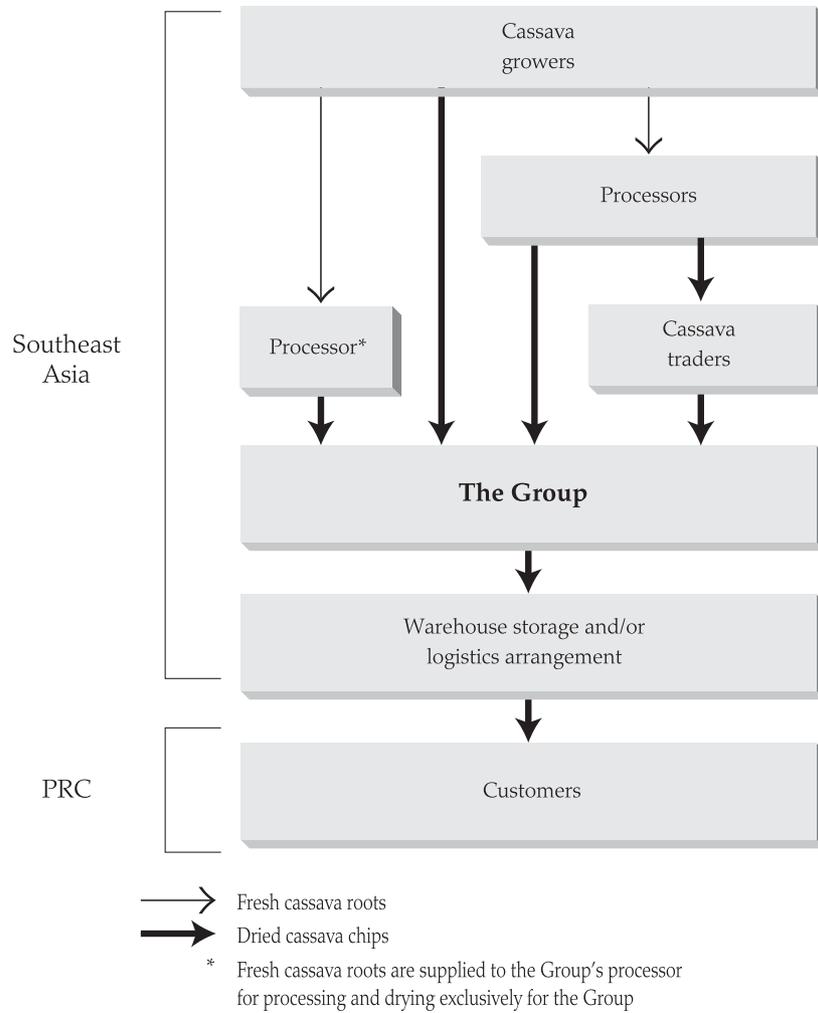
(iv) *Animal feed*

Dried cassava chips can be used for the production of animal feed. Such animal feed has been used in pigs and dairy cattle diets both at farms and feed mills.

# BUSINESS

## Integrated supply chain business model

The following chart briefly illustrates the Group's supply chain business model:

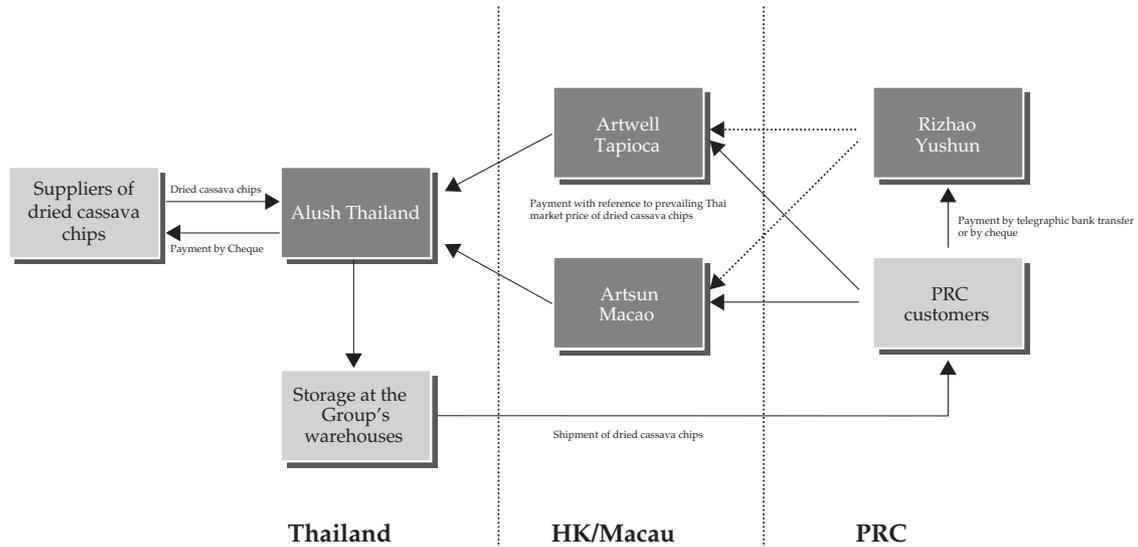


The Group operates a vertically integrated business model and procures both fresh cassava roots and dried cassava chips from cassava growers, processors and cassava traders principally from Thailand.

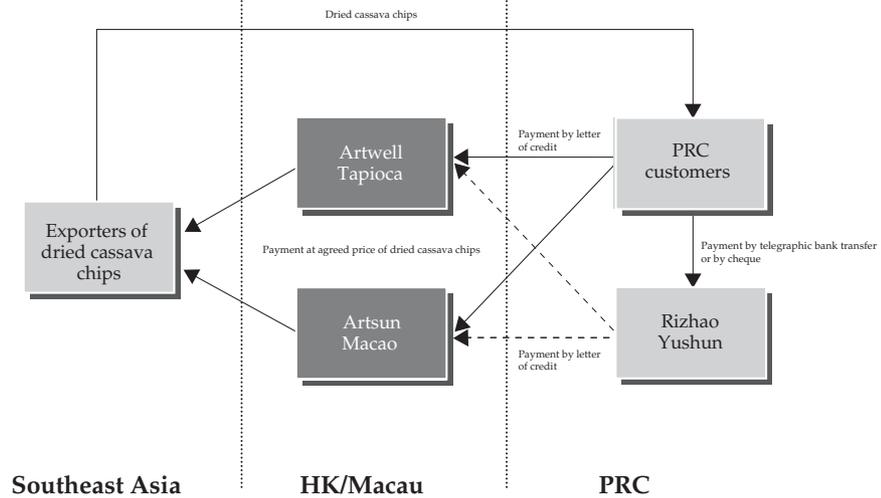
# BUSINESS

The following charts elaborate the transaction flow of the Group's two categories of sales:

## Sales from warehouse



## Direct sales



For the Group's sales from warehouse, Alush Thailand procures dried cassava chips from various suppliers in Thailand. Upon delivery, the procured dried cassava chips will be stored at the Group's warehouses in Thailand. The purchases are usually settled by cheque in THB. Either Artwell Tapioca or Artsun Macao will generally enter into (i) purchase contracts with Alush Thailand at the prices with reference to the prevailing Thai market FOB prices which the Directors consider as fair market value consideration as required under the Revenue Code of Thailand, and (ii) sales contract with the corresponding PRC customers or their respective import agents at the agreed price based on the market condition which is settled in US\$. Alush Thailand is responsible for supplying dried cassava chips and the logistic team of the Group in Hong Kong will coordinate the shipping arrangement. The PRC customers generally issue letters of credit directly to either Artwell Tapioca or Artsun Macao.

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For the Group's direct sales, either Artwell Tapioca or Artsun Macao will enter into purchase contracts with cassava exporters and the purchases will generally be settled through telegraphic transfers or letters of credit at sight at the agreed prices in US\$. The Group's logistics team in Hong Kong will coordinate the shipping arrangement. Similar to sales from warehouse, the PRC customers will generally issue letters of credit to Artwell Tapioca or Artsun Macao for settlement. The main differences distinguishing the Group's direct sales from sales from warehouse are that direct sales are bulk purchases from other exporters and the dried cassava chips will not be stored at the Group's warehouses in Thailand before shipment. All dried cassava chips are shipped to the PRC for the Group's sales from warehouse and direct sales.

The Group's PRC customers may also make their purchases from Rizhao Yushun or appoint Rizhao Yushun as their import agents, in case the PRC customers do not have the import licence or do not have letter of credit facilities. In these cases, Rizhao Yushun will issue letter of credit to Artwell Tapioca or Artsun Macao in US\$, while the relevant PRC customers will settle the payment with Rizhao Yushun by telegraphic bank transfer or by cheque in RMB. Rizhao Yushun charges its PRC customers with reference to market prices.

The Directors are of the view that the above trading arrangements are normal international trading practice. The dried cassava chips are sold to a Group member by Alush Thailand at the prices with reference to the prevailing Thai market FOB prices before re-selling to the end customers of the Group, because these international trades involve procedures and negotiations outside Thailand and they are conducted in the ordinary and usual course of the Group's business and are on normal commercial terms.

The Group conducts on-site quality control at its warehouses to ensure that the quality of the dried cassava chips it sources meets the Group's requirements. The Group sells its products either through direct sales or sales from warehouse. In respect of direct sales, either before or after the receipt of a purchase order, the Group will enter into a sourcing contract with its suppliers for dried cassava chips and the products will be shipped to the designated port of delivery without being stored in the Group's warehouses. In respect of sales from its warehouses, the Group's procured dried cassava chips will first be stored at the Group's warehouses in Thailand. Either before or after confirming sales orders with its PRC customers, the Group will check for availability of shipping schedule before negotiating shipment terms with the dry bulk vessel operators. Dried cassava chips are delivered directly to the designated port in the PRC. For each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, direct sales accounted for about 28.4%, 17.7%, 25.1% and 42.6% of the total revenue of the Group in the respective years or period while sales from warehouse accounted for about 71.6%, 82.3%, 74.9% and 57.4% of the total revenue of the Group in the respective years or period. The Group believes that its progression into upstream supply chain by sourcing fresh cassava roots not only can effectively enlarge its procurement capacity and volume, but also can help expand its business operations. In addition, through vertical integration, the Group can also trace all of its final products to ensure better quality control and credibility.

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As advised by the Company's Thai legal advisers, under the Revenue Code of Thailand, transfer of asset or property by a company must be made with a fair market value consideration. Any transfer pricing lower than the fair market value can be accepted only if there is an appropriate reason. Therefore, when Alush Thailand exports its product to the other Group members, or third party, Alush Thailand is obliged to comply with this principle of law. If this law is violated, i.e. the transfer pricing charged by Alush Thailand is lower than fair market value basis, the Thai Revenue Department has a power to assess the appropriate amount of consideration to be income of Alush Thailand as its income and its declared income and tax will be adjusted. For the financial year ended 31 December 2006 of Alush Thailand, the Thai Revenue Department has already addressed the transfer pricing issue concerning Alush Thailand's operation in Thailand, and made necessary adjustments for additional tax and surcharge totalling approximately THB2.4 million (equivalent to approximately HK\$0.5 million) (representing approximately THB2.1 million (equivalent of approximately HK\$466,000) of additional tax and approximately THB0.3 million (equivalent to approximately HK\$66,600) of surcharge) based on the revised tax return submitted by Alush Thailand on a voluntarily basis for the financial year ended 31 December 2006. Such amounts were recorded in the combined financial statements of the Group for the financial year ended 31 March 2007. The Directors believe that such adjustments were made on a judgemental basis by the Thai Revenue Department. There was no other investigation nor enquiry on the Group's tax affairs by the Thai Revenue Department up to the Latest Practicable Date. The Directors are of the view that there was no non-compliance with any tax rules and regulations in respect of Alush Thailand. In addition, even though the Thai Revenue Department has conducted a tax review on Alush Thailand's taxation affairs in Thailand, the Group should not be considered to be not in compliance because section 20 of the Revenue Code of Thailand empowers an assessment official to adjust an amount of assessed tax or an amount calculated in the tax return.

In view of (i) the insignificance of the amount of additional tax charges; (ii) the expected length of management time to be involved; and (iii) the possible significant amount of professional costs to be incurred, the Group considered that the potential costs to be incurred outweighed the benefit of an appeal. Accordingly, Alush Thailand did not make any appeal. In accordance with section 19 of the Revenue Code of Thailand, the Revenue Department of Thailand retains the right of tax examination for the two years counting from the date of the filing of the tax return. Such examination time limit can be extended to five years, subject to approval of the Director-General of the Revenue Department, if there is evidence of evasion. As advised by the Company's Thai legal advisers, under normal circumstances, the Revenue Department of Thailand will not revisit the same issue, such as transfer pricing, for the second time if the issue has already been reviewed previously. As the Revenue Department of Thailand has already assessed the transfer pricing issue concerning Alush Thailand and necessary adjustments had been made accordingly and no further enquires on this issue has been raised up to the Latest Practicable Date. Therefore, the Directors consider that it is not likely for the Thai Revenue Department to demand further transfer pricing adjustments in respect of the same year. The tax provision made for the financial year ended 31 December 2007 has taken into account the basis of the Thai Revenue Department in respect of the transfer pricing of Alush Thailand for the financial year ended 31 December 2006. The Directors conclude that the current tax provision for each of the three financial years ended 31 March 2008

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and five months ended 31 August 2008 of the Group are adequate and not excessive. As advised by the Company's Thai Legal Advisers, Thailand, as a member of the World Trade Organisation, has adopted the General Agreement on Tariff and Tax, in which the arm's length pricing basis shall be used for importation value of goods. Such appears in the Customs regulations of Thailand. The Customs Department will regularly make its audit on companies doing import of goods on the valuation and other issues, e.g. tariff code. Therefore, apart from the Revenue Code, the Customs law also governs the issue of transfer pricing but relates on import and export pricing. There has been no review on Alush Thailand carried out by the Thai Customs Department during the Track Record Period. There is no specified time bar for the Customs Department's review. However, the Customs Act requires the import-export document to be retained for the purpose of audit for the period of not less than 5 years. Therefore, in practice, the Customs official will not ask the exporter to deliver documents for their audit over five years. The Company's Thai legal advisers advised that Alush Thailand has been in compliance with the tax rules and regulations in Thailand. The Directors are of the view that the transactions between Alush Thailand and other Group members were conducted in the ordinary and usual course of the Group's business and on normal commercial terms during the Track Record Period. During the tax review in the financial year ended 31 December 2006 of Alush Thailand, the Thai Revenue Department has not indicated that Alush Thailand has committed any tax evasion or willful understatement of income or profits. The Directors do not foresee any circumstances where the Thai Revenue Department will consider the transfer pricing arrangement is for the purpose of tax evasion or willful understatement of income or profits, and thus, the Directors are of the view that the chance of any penalty associated with the transfer pricing arrangement being imposed on the Group, the Directors or the senior management is remote. According to the Revenue Code of Thailand, a penalty will be imposed on the tax payer if an assessment is raised by the Thai Revenue Department for any additional amount of tax due to lower income reported, or transfer pricing at lower value than market rate without valid reason. However, under the Revenue Code of Thailand, a penalty could not be imposed in the case of understated sales revenue reported by the taxpayer on a voluntary basis by filing a revised tax return at any time before the issue of formal final assessment for understated sales revenue by the Thai Revenue Department. By thus doing, no penalty would be imposed on a taxpayer by the Thai Revenue Department. No penalty was imposed by the Thai Revenue Department in accordance with the Revenue Code of Thailand because Alush Thailand had submitted the revised tax return for the financial year ended 31 December 2006 on a voluntary basis, advising the Thai Revenue Department on the amount of understated sales revenue based on its own internal review. Assuming all sales of Alush Thailand were made to ultimate customers without transacting through other Group companies, the Directors estimate that the hypothetical additional tax and surcharges for the three months ended 31 March 2007 and the financial year ended 31 March 2008 are approximately HK\$1.2 million and HK\$23.2 million. Nevertheless, the Controlling Shareholders (i.e. Mr. Chu and AR management) will provide indemnity in favour of the Group for any losses, costs, expenses and/or damages in relation to any tax claim and other non-compliances of the Group during the Track Record Period, details of which is set out in the section "Other information" of Appendix V of this prospectus.

As advised by the Company's Hong Kong lawyers, the relevant laws and regulations governing the transfer pricing in Hong Kong is the Inland Revenue Ordinance (CAP. 112 of the Laws of Hong Kong). The financial information contained in the accountants' report in Appendix I has been audited by the Reporting Accountants which expresses an unqualified opinion on the financial information as a whole, including the tax provision for the Hong Kong jurisdiction. As part of the audit procedures, the Reporting Accountants have taken into consideration the relevant financial impact of the transfer pricing adjustments where appropriate. With reference to the unqualified opinion of the Reporting Accountants on the financial information as a whole and having considered the Directors' opinion that the current transfer pricing arrangements of the Group are normal international commercial practice on normal commercial terms and the commercial merits enjoyed by the Group through such arrangement, the Company's Hong Kong lawyers consider that the possibility of the transactions between Artwell Tapioca and Alush Thailand being considered as transactions and dispositions to be disregarded or transactions designed to avoid liability for tax under sections 61 and 61A of the Inland Revenue Ordinance is minimal and therefore did not violate the relevant laws and regulations in Hong Kong.

As confirmed by Macau lawyers, Artsun Macao has been duly registered under the Macau laws for tax purposes and it is exempt from the payment of any profit taxes according to article 12. sections 1(a) and (b) of Decree-Law no 58/99/M of 18 October 1999 – Offshore Regulations. In addition, the Company is not required to make any withholding or deduction for or on account of the declaration and payment of any dividend and/or other distributions (whether in cash or in kind) by it.

There is no filing requirement in respect of the transfer pricing return in Hong Kong. As advised by the Company's Thai legal advisers and the Macau legal advisers, there is no filing requirement in respect of the transfer pricing return in the respective jurisdictions. In addition, as advised by the Company's PRC legal advisers, according to the 《中華人民共和國稅收徵管法實施細則》 (The Detailed Rules for the Implementation of the Law of Administer the Levying and Collection of Taxes of PRC), the taxpayer does not have the responsibility to report to the tax authority whether a transfer pricing exists. However, the taxpayer shall provide the relevant information to the tax authority regarding all related parties transactions, and the tax authority will make a judgement to decide if there is a transfer pricing arrangement.

## **PURCHASES AND SUPPLIERS**

### **Price determination**

The Group has established an internal procurement pricing policy to determine, among other things, the pricing of its cassava purchases. When formulating its offer price, the Group would take into account (a) the then prevailing market prices; (b) general market analysis of the demand for dried cassava chips in the PRC; (c) growing area and yield of cassava in Thailand; (d) cassava harvesting conditions; (e) currency conversion rate between the THB and the US dollars; and (f) its inventory level. The Group's market position gives it leverage in setting the pricing of dried cassava chips sourced by it in Thailand.

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Currently, sales personnel of the Group regularly provides information on market situation, competitors' pricing and customers' demand and the Group's key management, including Mr. Chu, Ms. Liu, Mr. MK Chu and Mr. Chan Chi Wai, Benny, meets regularly and not less frequent than monthly, to review product pricing with reference to such information and to make appropriate revision when the market price have a material change to ensure timely response to market conditions.

In the financial year 2006, the sales of dried cassava chips from Alush Thailand to Artwell Tapioca in the case of sales from warehouse were made with reference to the prevailing FOB selling prices of other exporters in the case of direct sales. The Directors found out after the year end that as the Group had not revised the selling FOB prices between Alush Thailand and Artwell Tapioca on a periodical basis, the average selling price (approximately US\$108.4 (equivalent to approximately HK\$850) per tonne) from Alush Thailand to Artwell Tapioca in the case of sales from warehouse for the year 2006 is approximately 1% higher than the average selling price paid by Artwell Tapioca to other independent exporters (approximately US\$107.3 (equivalent to approximately HK\$840) per tonne) in the case of direct sales during that year. This has resulted in a higher than necessary export prices declared and therefore higher export levies paid by the Group and a higher taxable profit being retained in Thailand, which was subject to a comparatively higher tax rate of 30% (when compared with that of 17.5% for Artwell Tapioca in Hong Kong). This has therefore reduced the Group's competitiveness in the market.

In the financial year 2007, learning from the price setting experience in the financial year 2006, the Directors reviewed and, where appropriate, revised the selling FOB prices charged by Alush Thailand to Artwell Tapioca on a not less frequent than monthly basis. As a result, the Group's internal control was enhanced. The management considered that there was no internal control weakness after such revision. Also, because of the high volume of sales from warehouse going through Alush Thailand, Alush Thailand had been able to achieve a saving in warehouse and other handling costs. The savings had also been partially passed on to Artwell Tapioca through lowering the FOB selling prices in order to enhance the competitiveness of Artwell Tapioca. As a result, the average selling price (approximately US\$106.8 (equivalent to approximately HK\$830) per tonne) from Alush Thailand to Artwell Tapioca in the case of sales from warehouse for the financial year 2007 was approximately 3% lower than the prevailing FOB selling prices of other independent exporters (approximately US\$109.6 (equivalent to approximately HK\$850) per tonne) in the case of direct sales, which the Directors consider as fair market value without material deviation.

At the start of the financial year 2008, the Directors predicted the price of cassava chips to be rather volatile and on an increasing trend for the financial year 2008. Also, due to the continuous depreciation of HK\$ against THB, resulting in an increase in the warehouse and other operating costs of Alush Thailand and the expected increase in freight costs due to the increase in oil prices, the Directors increased the selling FOB prices from Alush Thailand to Artwell Tapioca and Artsun Macao during the year. The Directors further allowed a higher extent of increase during the year when the Group had decided to engage in more direct sales, resulting in a lower volume of sales from warehouses. This leads to less capital commitment and lower finance cost, and as such, resulting in more financial resources available to the Group, including Alush Thailand, and the above

## BUSINESS

coupled with the fact that as an independent profit operation, a higher FOB price charged by Alush Thailand would allow Alush Thailand to maintain a higher competitiveness in the Thai procurement market. As a result, the average selling price (approximately US\$138.1 (equivalent to approximately HK\$1,100) per tonne) from Alush Thailand to Artwell Tapioca and/or Artsun Macao in the case of sales from warehouse for the financial year 2008 was approximately 8% higher than the prevailing FOB selling prices of other independent exporters (approximately US\$128.2 (equivalent to approximately HK\$1,000) per tonne) in the case of direct sales.

The pricing arrangement between the suppliers of dried cassava chips, Alush Thailand, Artwell Tapioca, Artsun Macao, Rizhao Yushun and PRC customers of the Group is based on prevailing market prices.

The Directors confirm that the transfer pricing arrangement is in full compliance with the relevant rules and regulations, including transfer pricing laws, in all the jurisdictions in which the Group operates.

### Suppliers

The Group sources its fresh cassava roots and dried cassava chips principally from cassava growers, processors and traders in Thailand. The Group maintains business relationships with over 200 suppliers and has established business relationships of over five years with some of its top 10 suppliers. Other than the long-term supply contract made with each of its largest supplier in Thailand and a supplier in Laos respectively, the Group does not have any long-term supply contract for cassava purchases with the Group's suppliers. Pursuant to the long-term supply contract with the Group's largest supplier of cassava chips for a term of four years ending on 31 March 2011, the supplier agreed to exclusively supply and the Group agreed to purchase a minimum quantity of 100,000 tonnes of dried cassava chips for each of the four years ending 31 March 2011. The Group has also entered into an exclusive long-term supply contract for a term of over five years with a supplier in Laos, pursuant to which the supplier agreed to supply a minimum quantity of 100,000, 120,000, 150,000, 200,000 and 250,000 tonnes of dried cassava chips for each of the five years ending 31 December 2013. The Group has not commenced purchases from this cassava supplier in Laos as at the Latest Practicable Date. Under the terms of both long-term supply contracts, the purchase price is determined by reference to the prevailing market price and either party to the contracts may seek penalty against the other if the minimum quantity of purchase or supply is not met. Such penalty is calculated on the basis of the outstanding unfulfilled quantities times by 10% of the prevailing market price at the end of the respective year. As to the Latest Practicable Date, there were no circumstances leading to the termination of the contracts and no occurrence of any penalty imposed in relation to the requirement of the minimum quantity of purchase or supply in accordance with the terms as agreed between the parties pursuant to the contracts. The Group also procures dried cassava chips directly from other exporters and the Group is responsible for the necessary shipping arrangement for the dried cassava chips purchased from those exporters.

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During each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, purchases from the five largest suppliers of the Group accounted for approximately 49.2%, 52.8%, 50.2% and 60.9% of the Group's total purchases, respectively, while the Group's largest supplier accounted for approximately 23.1%, 18.7%, 14.6% and 19.5% of the total purchase for the same period, respectively. The Group's weighted average purchase price of dried cassava chips for each of the three financial years ended 31 March 2008 and five months ended 31 August 2008 also fluctuated at approximately US\$94.5 (equivalent to approximately HK\$740), US\$100.9 (equivalent to approximately HK\$790), US\$139.7 (equivalent to approximately HK\$1,100) and US\$171.4 (equivalent to approximately HK\$1,300) respectively.

The Group believes that its proximity of location to cassava growers, processors or traders, its broad supplier base of over 200 suppliers, its established market share, its adequate warehouse capacity and working capital, its "365-day open door policy" to all suppliers of good quality cassava chips to its warehouses and its good reputation allow the Group to maintain sufficient supply of fresh cassava roots and dried cassava chips. While most of the Group's suppliers are located in Thailand, the Group intends to expand its procurement network in Southeast Asia, including but not limited to Cambodia and Laos. In respect of logistics arrangement, the Group intends to lease additional storage facilities and set up transportation fleet to expand its procurement and logistics networks.

In respect of its direct sales, either before or after the receipt of a purchase order, the Group will enter into a sourcing contract with its suppliers for dried cassava chips. The Group usually settles such purchases by letters of credit at sight or telegraphic transfers. In respect of sourcing for its sales from warehouses, the Group generally settles its purchases within the next two business days following delivery by cheque. The Directors believe that such payment policy would provide the Group with a better position for price negotiation, thereby reducing its purchase costs. As at 31 March 2006, 2007, 2008 and 31 August 2008, there were no outstanding trade payables.

Processing and drying of fresh cassava roots into dried cassava chips are carried out by a processor, on an exclusive basis, engaged by the Group in a drying yard in Khlong Lan, Thailand, having a site area of approximately 79,816m<sup>2</sup>, pursuant to a management contract between Global Property and a Thai national, an independent party (the "**Processor**"). The contract is for a term of 30 years commencing from 16 January 2007. The Processor has been granted a right to occupy and use the land of the drying yard by the relevant governmental authorities perpetually commencing from 1 April 2008, provided that if the Processor is requested by the Ministry of Agriculture in Thailand, he needs to sign a lease agreement of the land for a period of 30 years at a nominal fee. As advised by the Company's Thai legal advisers, no such request has been received from the Ministry of Agriculture as at the Latest Practicable Date. The Group has granted an interest-free loan of THB5.6 million (equivalent to approximately HK\$1.2 million) to the Processor, and a processing fee of THB186,666 (equivalent to approximately HK\$41,400) is payable by the Group each year, which will be set off against the outstanding balance of the loan owed by the Processor to the Group. During the term of the loan, the Processor is prohibited from disposing its interests in the land of the drying yard without the prior written consent of Global Property. In addition, the Group has also been granted an option to purchase the land of the drying yard from the Processor exercisable by the Group when and if a proper

title deed of the drying yard can be issued and Thai law is relaxed to permit Global Property to own the land of the drying yard at a price equivalent to the then outstanding balance of the loan at the time the option is exercised. As advised by the Company's Thai legal advisers, the provision of loan of THB5.6 million (equivalent to approximately HK\$1.2 million) in relation to the drying yard, the agreement of which is governed by the laws of Thailand, is legal, valid and enforceable under the Thai laws and the Group is not subject to any penalties as a result of the provision of such loan. The fresh cassava roots sourced by the Group amounted to approximately 533.1 tonnes for the financial year ended 31 March 2008 and nil tonne for the five months ended 31 August 2008. The Group sells its products either through direct sales or sales from warehouses. In respect of direct sales, either before or after the receipt of a purchase order, the Group will enter into a sourcing contract with its suppliers for dried cassava chips and the products will be shipped to the designated port of delivery without being stored in the Group's warehouses. In respect of sales from its warehouses, the Group's procured dried cassava chips will first be stored in the Group's warehouses in Thailand before the Group arranges for shipment to different customers.

The Group has established its foothold in its cassava procurement business in Thailand since 2001 and has maintained business relationships with over 200 cassava growers, drying yard processors and traders. The Group implements a "365-day open door policy" for purchases of dried cassava chips with payment generally within the next two business days as long as the chip quality meets the Group's requirements. This is seen by the Directors as a major barrier for new entrants as making such guarantee requires an adequate amount of working capital for sizable quantities of products.

For each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, purchases from the largest supplier accounted for approximately 23.1%, 18.7%, 14.6% and 19.5% respectively, and purchases from the five largest suppliers accounted for approximately 49.2%, 52.8%, 50.2% and 60.9% respectively, of the total purchases of the Group in the relevant year or period. The largest supplier has been supplying cassava chips to the Group since 2001 and has been the Group's largest supplier for each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, having transaction amounts totalled to approximately HK\$143.4 million, HK\$112.1 million, HK\$89.4 million and HK\$54.9 million, respectively. The Group has entered into a long-term supply contract with its largest supplier to ensure a stable source of supply is available to the Group. The Directors confirm that the largest supplier is an Independent Third Party.

The Directors confirm that none of the Directors, their respective associates or, so far as the Directors are aware, Shareholders who own more than 5% of the issued Shares (immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option) has any interest in any of the five largest suppliers of the Group during the Track Record Period.

## **Inventories**

The Group's inventories are dried cassava chips, which are stored principally in the Group's warehouses in Thailand. As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group held inventories of dried cassava chips of approximately 225,786 tonnes, 180,297 tonnes, 49,157 tonnes and 41,227 tonnes, respectively.

The Group's inventories are principally stored in three warehouses located in Bangsai, Sriracha and Bangpakong with capacity of approximately 18,000 tonnes, 80,000 tonnes and 7,500 tonnes, respectively. Under the leases of its storage facilities in Bangsai, the Group also has the priority right to rent the other warehouses within the same location (subject to the first right to rent by the lessor and its affiliated companies), which altogether has an additional gross floor area of approximately 16,940m<sup>2</sup> and can store up to an additional about 67,000 tonnes of dried cassava chips. These warehouses are all strategically located and have custom-made equipment to facilitate the handling of bulk commodities, including cassava chips.

While the inventory level is generally maintained with reference to the seasonality of cassava supplies, it is the Group's policy to keep inventory level on or above certain minimum levels, which are reviewed by the management from time to time taking into account factors such as estimated trend on future consumption, the then prevailing inventory level and general market conditions, with the aim of minimising the risk of sales interruptions due to shortage of inventory supply.

The Group's warehouse staff is responsible for maintaining appropriate storage conditions for all the Group's dried cassava chips stored in the Group's warehouses in Thailand.

For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, the Group's inventory turnover days calculated as the average ending inventory balances on its cost of goods sold was approximately 76.9 days, 87.8 days, 55.0 days and 33.0 days, respectively. The Directors consider that the gradual reduction in the inventory turnover days over the Track Record Period was mainly because of the Group's strategic actions to reduce the inventory holding period in order to mitigate the market risk when the price of cassava rises continuously during the Relevant Track Period, particularly during 2008, as reflected by the increase in the average selling price of the Group's sales from warehouse by approximately 36.8% in the financial year 2008 from that in 2007.

The Group did not experience any incidence of inventory obsolescence during the Track Record Period.

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### Membership certificates

As at the Latest Practicable Date, the Group possessed the following membership certificates:

Name of the Group member	Year of first membership	Membership	Organisation
Alush Thailand	2001	Ordinary class	TTTA
Global Property	2007	Ordinary class	The Thai Tapioca Products Factory Association

Under the applicable laws and regulations on export of standard commodities such as cassava products in Thailand, an exporter of cassava products must obtain the certificate showing the registration as exporter of standard commodity from the Office of the Commodity Standard (a governmental authority under the Ministry of Commerce of Thailand), which is subject to renewal each year, and an export licence from the Foreign Trade Department of the Ministry of Commerce for each export. One pre-requisite qualification for obtaining the certificate showing the registration as exporter of standard commodity from the Office of Commodity Standard is membership in any association relating to cassava products. Alush Thailand and Global Property have obtained the Certificates of the Exporter of Commodity Standard which are both valid until 31 December 2009.

As advised by the Company's Thai legal advisers, except for the Certificate of the Exporter of Commodity Standard, which needs to be renewed each year and the export license from the Foreign Trade Department of the Ministry of Commerce which is required for each export, there is no other license or certificate which is required for export on a continuing basis. The Directors and the Company's Thai legal advisers confirmed that the Group has obtained all necessary licenses and certificates for its operations.

### TRANSPORTATION AND LOGISTICS

#### Warehouses facilities

The Group transports its products primarily by dry bulk vessels. In respect of sales from its warehouses, the dried cassava chips sourced by the Group from Thailand are stored in the Group's warehouses located in Bangsai, Sriracha and Bangpakong in Thailand before shipment. The Group's warehouse facilities in Bangsai, Ayutthaya, Thailand, has a gross floor area of approximately 5,217m<sup>2</sup> and can store up to about 18,000 tonnes of dried cassava chips. The Group has entered into two three-year leases, each commencing from 1 March 2008, in respect of the Bangsai warehouses with an option to extend the lease for a further three-year period. Under the aforesaid leases, the Group also has the priority right to rent other warehouses within the same location rented by the sub-lessor (subject to the first right to rent by the sub-lessor and its affiliated companies), which altogether has an additional gross floor area of approximately 16,940m<sup>2</sup> and can store up to an additional approximately 67,000 tonnes of dried cassava chips. It is

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strategically located near the Chao Phaya river. Since it is impracticable for large dry bulk vessels to travel along the Chao Phaya river, lighters are commonly used for transporting large quantities of cassava chips directly from the warehouse to the anchorage of the dry bulk vessels.

The Group leases the warehouse facilities in Sriracha, Chonburi, Thailand. It can store up to about 80,000 tonnes of dried cassava chips and has a gross floor area of approximately 10,300m<sup>2</sup>. The facilities in Sriracha are equipped with a conveyor belt linking directly between the warehouses and the dry bulk vessel once the vessel is docked at the end of the 3 kilometre long conveyor belt. The Group has a right of priority to use the port, loading facilities and equipment, including the conveyor belt. This transportation method is regarded by the Directors as time-efficient and cost-effective for loading of dried cassava chips from the warehouse and directly onto the dry bulk vessel, since the use of lighters is not required for the transportation of dried cassava chips at the Sriracha facilities. The Group has entered into two three-year leases commencing from 1 April 2008 in respect of the warehouse facilities in Sriracha, one of which gives Alush Thailand an option to extend for an additional three-year period and the other one shall automatically be extended for another three-year period unless Alush Thailand gives advance notice to abort the contract.

The Group also leases another warehouse facilities in Bangpakong, Thailand, with a gross floor area of approximately 2,640m<sup>2</sup> and allows the Group to store up to about 7,500 tonnes of dried cassava chips. Bangpakong is located in north of Sriracha and is near the Bangpakong River. Similar to the logistics arrangement in Bangsai, lighters are used for transporting large quantities of cassava chips directly from the warehouse to the anchorage of the dry bulk vessels. The Bangpakong facilities are under a one-year lease, commencing from 19 November 2008 and three months' prior notice is required for extension of the lease.

The vicinity of its warehouses to the port facilities allows the Group to shorten the lead time for cargo readiness of its products. For example, it would take about three days for the Group to deliver up to about 40,000 tonnes of dried cassava chips from its various warehouses to a dry bulk vessel berthed at the port near Sriracha and load the lighters with dried cassava chips from all the Group's warehouses where the lighters would transport the goods to the port near Sriracha and load the goods onto the dry bulk vessel.

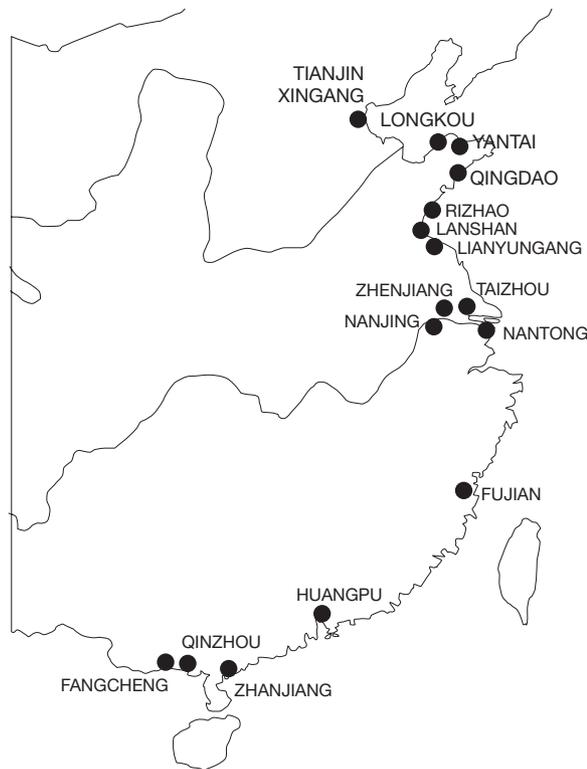
The Directors are of the view that strategic locations of the Group's three leased warehouses in Thailand are significant to the Group's operations. The specific facilities equipped at the warehouses shorten the time taken by the Group to prepare for cargo readiness. These warehouses are located near ports in Thailand that are capable of handling dried cassava chips efficiently and from where the Group's cassava chips are arranged to be shipped to the PRC.

Independent surveyors are appointed to monitor the entire loading process to ensure that the volume loaded as well as the quality of the products match the specifications for each order.

**Shipping arrangement**

During the Track Record Period, the Group have had business relationships with a network of over 80 dry bulk vessel operators. The vessels of these operators have capacities ranging from 5,000 tonnes to 50,000 tonnes. The Group selects the appropriate dry bulk vessel operators according to the size of its orders on hand and anticipated demand, the delivery schedules and the port of unloading. Timing is often critical for vessel operators as rental charges for vessels and port charges may be accrued on a daily basis. Shippers, whose cargoes can match the capacity of the vessel as well as the operators' shipping schedule so that goods can be loaded on board once the vessel is berthed, stands in a good position to negotiate shipping terms with the vessel operators as they need to minimise vacant period to reduce their overhead costs. Given the Group's sales volume, it is flexible for the Group to match the individual capacity and shipping schedule of the operators with its orders on hand. The Group has a right of priority to use the port, loading facilities and equipment at the warehouse, including the 3 kilometres long conveyor belt equipped at the Group's leased warehouse in Sriracha. The proximity of its warehouses in Bangsai, Sriracha and Bangpakong to the port facilities also shorten the lead time for cargo readiness, which is a competitive advantage for the Group to negotiate shipping terms with vessel operators.

The Group has delivered its products through various seaports in the PRC since 2001, as shown in the following map:



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After the Group has fixed the main shipping terms with the vessel operator, a local port agent will be appointed in Thailand to handle and co-ordinate the entire loading arrangement. The vessel operator or the port agent will provide the estimated arrival notice to the Group in order to allow adequate time for the Group to prepare for its cargo. After the Group obtains such notice, it will make preparation for loading its products onto lighters where appropriate. The vessel operator will issue a notice of readiness to notify the Group that the vessel is ready for loading at the port. During the loading process, the independent surveyor and fumigator will be on board to carry out inspection, fumigation and monitoring. A phytosanitary certificate certifying that the cassava chips have been inspected and/or tested according to appropriate official procedures will be issued by the Department of Agriculture after fumigation treatment is completed.

The Group will give prior notice to its customers for the estimated arrival time of the shipment around the time the vessel departs from Thailand so that the customers have adequate time to arrange for collection.

Delays in delivery may occur due to the weather conditions. To prevent or deal with delays, the Group has implemented various measures, including notifying its customers to pay in advance so that the Group can prepare goods earlier, communicating with the vessel operators, managing transportation and logistics in a timely manner.

During the Track Record Period, the Group had not experienced any incident or significant delay in product delivery or entry rejection by the relevant PRC customs authorities.

## QUALITY CONTROL

The Group's quality objective is to pursue a high and consistent quality standard to meet the demands and requirements of the customers and the market. To achieve the Group's quality objective, the Group has implemented adequate quality control system. The Group's quality control department is responsible for formulating and implementing the quality control systems and ensuring that the quality of its products is in compliance with the relevant industry standards.

The Group places emphasis on quality control and quality assurance throughout its business process from sourcing of cassava chips to inspection of vessel conditions. The Group's laboratory testing centres in Thailand facilitate the quality control team of the Group in managing the procurement processes and maintaining quality standards. In particular, quality inspections and immediate on-site sample testing are conducted twice prior to acceptance of all incoming cassava chips delivery. The Group has testing laboratories at its leased warehouses to test the moisture and sand content of all incoming cassava chips in order to ensure they meet the Group's quality standards.

For incoming fresh cassava roots, the Group's staff in the procurement team is required to inspect the roots in respect of their size, colour, freshness and whether containing any excessive sand. For direct sales, an independent surveyor will be appointed to oversee the quality and the loading process of dried cassava chips to ensure that the Group's requirements on chip quality are met.

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As cassava is a perishable crop, dried cassava chips are intrinsically more suitable for storage than fresh cassava roots. Dried cassava chips is typically stored under dry condition. The Group performs check-up on its cassava chips' storage conditions.

In order to monitor the quality of the Group's dried cassava chips, independent surveyors are engaged to perform batch sample testing during the process of loading onto dry bulk vessel, for both sales from warehouse and direct sales, to ensure that the quality of its cassava chips meets the Group's customers' requirements. As at the Latest Practicable Date, the Group had 15 employees in its quality control department. The Group's PRC customers would only accept shipments with the agreed level of starch content certified by relevant surveyors.

The Group will continue to place emphasis on the importance of quality control, including but not limited to hiring experienced people in the industry, which the Directors believe to be crucial for the Group's ongoing pursuit of high quality standards.

### SALES AND MARKETING

#### Sales

During the Track Record Period, over 99% the Group's revenue was generated from sales of dried cassava chips to the PRC market. The Group sells its products through its own sales and marketing team to its customers. The Group focuses on customers with annual aggregate purchases of over 5,000 tonnes. For each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, the total number of customers with annual aggregate purchases of 5,000 tonnes or above were 21, 22, 26 and 9 respectively, representing approximately 100%, 100%, 99% and 98% respectively of the Group's total revenue.

As a matter of national direction, the production capacity of ethanol fuel projects with grain feedstock, such as maize, as raw material will not be increased in the PRC. Therefore, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will lead to an increase in the demand for imported dried cassava chips in the PRC. The Group's average selling price of cassava chips has increased by approximately 72.7%, or approximately HK\$710 per tonne, from approximately HK\$976 per tonne to approximately HK\$1,686 per tonne during the Track Record Period, though seeing a downward trend recently. The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips from Thailand with market share of approximately 25.8%, 20.6% and 23.4%, based on the information of the total quantity of cassava chips exported from Thailand to the PRC as set out in TTTA's annual reports and the total quantity of cassava chips sold by the Group to the PRC market during the three years from 2005 to 2007.

## **Marketing**

The Group has its own sales and marketing team which is responsible for market research and deploying the overall marketing plan of the Group. As at the Latest Practicable Date, the Group had a team of 17 sales and marketing personnel responsible for liaising the procurement of sales orders, maintaining customers' relationships, formulating its sales and marketing strategies, conducting market researches and organising its marketing functions. The Group's sales and marketing team is entrusted with the tasks to promote sales and collect market information to facilitate the development of monthly sales targets and annual sales plans as well as the Group's overall marketing strategy. The majority of the Group's marketing personnel are located in the PRC. The sales and marketing functions are mainly performed by Artwell Tapioca, Artsun Macao and Rizhao Yushun.

For the financial year ended 31 March 2008, to support the Group's marketing in the PRC, part of the marketing and liaison services of the Group were provided through a composite services agreement made between Rizhao Yushun, as service recipient, and Jinan Yaxin Real Estate Development Co. Ltd. (濟南雅新房地產開發有限公司) as service provider, a wholly foreign owned enterprise indirectly controlled by Mr. Chu. As part of the Reorganisation, the Group hired all of the employees who were previously providing marketing services to the Group pursuant to the aforesaid agreement.

The Group's marketing personnel contacts its PRC customers on a regular basis to maintain customer relationships and obtain feedbacks from customers. The marketing personnel made arrangements to invite PRC customers to visit the Group's warehouses and transportation facilities in Thailand to promote customers' relationship and confidence. The Group's senior management would set monthly sales targets and annual sales plans for its sales teams. Periodic reviews are conducted to evaluate the performance of the Group's sales and marketing personnel. The Group has a performance-linked incentive system under which its sales personnel are rewarded according to their performance and achievements.

The main function performed by Artsun Macao was sales and marketing. With the assistance of the Group's functional teams in the PRC, Hong Kong and Thailand, the sales team of Artsun Macao is responsible for contacting customers in the PRC, negotiating and concluding sales terms with the PRC customers in Macau, liaising with the Hong Kong shipping team on logistics and shipping arrangements, and liaising with the Thailand procurement and warehouse team on arranging goods delivery.

The Group's products are mainly sold under the brand "Artwell" which is well known to its customers.

The Group has five offices and liaison centres located in various cities in the PRC, namely Rizhao, Qingdao, Jinan, Lianyungang and Shenzhen. In order to serve its customers in the eastern and north-eastern China, the Group ships its cassava chips from Thailand to ports in China namely Rizhao, Lianyungang and Lanshan, which are equipped with the unloading of bulk goods, such as cassava chips.

The Group also participates in conferences held in the PRC in relation to the PRC alcohol industry. Furthermore, the Group organised symposium in the PRC to provide its customers or potential customers a platform for their interaction with the Group.

### **Customers**

The Group sells its quality products mainly under the “Artwell” brand with timely delivery to its customers. The “Artwell” brand is well-known among the Group’s PRC customers. During the Track Record Period, the Group’s customers included traders and manufacturers of consumable ethanol, ethanol fuel and chemical products, which are the products of the manufacturers using the Group’s dried cassava chips in their production process.

The Directors are of the view that the Group has established a good relationship with its customers. The top five largest customers of the Group for the Track Record Period have established business relationships with the Group ranging from two to seven years.

During each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, sales to the five largest customers of the Group accounted for approximately 65.1%, 62.0%, 57.2% and 76.0% of the Group’s total revenue, respectively, while the Group’s largest customer accounted for approximately 24.5%, 22.1%, 19.0% and 28.3% of the total revenue for the same years or period, respectively.

The Group maintains business relationship with Henan Tianguan since 2001, an Independent Third Party and one of the five largest customers of the Group in the financial year ended 31 March 2008. According to the 《可再生能源發展「十一五」規劃》 (Development Plan for Renewable Energy in the 11th Five-Year Plan) announced by the NDRC in March 2008, a subsidiary of Henan Tianguan is an authorised ethanol fuel producer in the PRC. As confirmed by Henan Tianguan, it sources cassava chips for such subsidiary for production of ethanol fuel. The Group had supplied cassava chips to Henan Tianguan in calendar years of 2001, 2002, 2003, 2004, 2007 and 2008. However, the Group did not record any sales to Henan Tianguan in its financial statements for each of the two financial years ended 31 March 2007 because Henan Tianguan was able to use old grain-based materials (陳化糧) in the PRC auctioned by the PRC government for the production of ethanol fuel by its subsidiary during the period. Henan Tianguan was one of the top five customers of the Group in the financial year ended 31 March 2008 and was the seventh largest customer of the Group for the five months ended 31 August 2008. The Directors are not aware of any publicly available information on the entrant criteria for qualifying as authorised ethanol fuel producers in the PRC. In view of the Renewable Energy Plan and the anticipated high demand for ethanol fuel in the PRC, the Directors are of the view that the Group is in a position to tap into these market opportunities.

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The Directors confirm that none of the Directors, their respective associates or, so far as the Directors are aware, Shareholders who own more than 5% of the issued Shares (immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option) has any interest in any of the five largest customers of the Group during the Track Record Period.

### **Credit policy**

In general, the Group currently and mainly accepts 90-180 day letters of credit as settlement method by its customers or by telegraphic bank transfer or cheque on delivery. During each of the three financial years ended 31 March 2008 and for the five months ended 31 August 2008, settlement by means of letter of credit accounted for approximately 96.4%, 82.4%, 84.3% and 99.5%, respectively of the Group's total revenue.

The Group adopts a specific provision policy against any long outstanding doubtful debts. The Group's senior management regularly reviews overdue balance to assess the recoverability and collectibility of such amounts. Besides, the management keeps track of the Group's customers' business and financial conditions by making frequent contacts or visits. During the Track Record Period, no bad debt has been recorded.

For each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, the turnover of the Group's bills receivables over revenue was about 35.5 days, 27.7 days, 11.2 days and 9.8 days respectively. Although the Group currently and generally accepts 90-180 day letter of credits, the Company may discount the relevant bills so as to improve its working capital.

## **COMPETITION**

### **Procurement network**

In terms of the cassava chips procurement, the Group competes with its competitors on attracting cassava growers, processors and cassava traders in purchasing high quality fresh cassava roots and cassava chips for processing or sale. The Group also competes with other cassava starch and pellets manufacturers for both fresh cassava roots and dried cassava chips. Since there are many cassava growers, processors as well as traders spreading across different regions in Thailand, the Group has to rely on its network of growers, processors and traders in order to secure reliable and adequate sources of supplies. The Group is well-known among its suppliers in the cassava business in Thailand for its "365-day open door policy" for purchase of dried cassava chips with payments generally within the next two business days as long as the chip quality fulfils the Group's requirements. This is considered by the Directors a hurdle to the Group's competitors for implementing such business strategy requires adequate working capital and storage facilities, and an established sales network. The Group has built up good business relationship with its major suppliers. Some of the Group's top 10 suppliers during the Track Record Period have business relationship with the Group for over five years. The Group also has entered into two long-term supply contracts with its suppliers

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to secure stable supplies of cassava. The Group also intends to expand its procurement networks in Cambodia, Laos, Vietnam and Indonesia so as to further strengthen its cassava supplies.

Based on information from the TTTA's annual reports from 2003 to 2007, Alush Thailand's and other top five exporters' market shares by export volume of dried cassava chips are as follows:

Exporters (Shipping volume rounded to the nearest '000 tonnes)	2003		2004		2005		2006		2007	
	Approximate percentage									
Alush Thailand (Note)	612	31.0%	480	18.7%	494	17.9%	676	17.0%	562	18.0%
Top 5 exporters (other than Alush Thailand)	781	39.6%	1,175	45.7%	1,283	46.4%	1,918	48.4%	1,304	41.7%
Others	<u>581</u>	29.4%	<u>915</u>	35.6%	<u>989</u>	35.7%	<u>1,373</u>	34.6%	<u>1,264</u>	40.3%
Total	<u>1,974</u>	100%	<u>2,570</u>	100%	<u>2,766</u>	100%	<u>3,967</u>	100%	<u>3,130</u>	100%

Note: Alush Thailand ranked number one from 2003 to 2007.

### PRC sales network

The diversified usage of cassava chips by different industries in the PRC provides a driving force for the surge in the demand of cassava chips. The Group has an established sales network in the PRC with customers of trading companies, manufactures of ethanol fuel, consumable ethanol and chemical products. The Group has had business relationships for a range of two to seven years with its top five largest customers for the Track Record Period. While the Group competes with its rivals in terms of quality and pricing of its cassava chips, it also competes on the basis of timely delivery and prompt order fulfillment. Based on the annual reports of TTTA, the Group ranked the largest in terms of volume of dried cassava chips imported into the PRC from Thailand from 2003 to 2007. The Directors believe that the Group's sales network in the PRC will continue to expand as a result of increase in demand for ethanol fuel.

The Directors consider that the PRC cassava chips supply industry is fragmented, comprising a handful of enterprises which in aggregate dominate a majority of the market share and numerous other players sharing the remaining market. According to the Cassava Market Report, in 2007, over 69% of dried cassava imported into the PRC were sourced from Thailand. As the Group has a well-established cassava chips procurement network, the Directors believe that it would take considerable time for new entrants to set its foothold in Thailand. The Directors consider that the Group is competing with approximately over 30 cassava chips suppliers in the PRC. Based on the annual reports of the TTTA, the Group had been the largest exporter of cassava chips in Thailand from 2003 to 2007, the Directors believe that other competitors would find it difficult to compete with the Group which has an edge over its competitors as it has well-established

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procurement network in Thailand and delivery logistics capability. Since the production capacity of ethanol fuel projects with grain feedstock as raw material will not be increased in the PRC, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will lead to increase in the demand for imported dried cassava chips in the PRC.

While the Group's major customers primarily include traders and manufacturers of ethanol fuel, consumable ethanol and chemical products, the Directors believe that there will be increasing demand for cassava from ethanol fuel producers in the PRC.

The Directors believe that as the majority of PRC imported cassava chips are sourced from Thailand, the Group and its competitors are subject to similar cassava chips market pricing fluctuations. Overall, the Group believes its competitiveness lies with its commitment to provide consistent quality product and its efficient cost control.

## SAFETY AND ENVIRONMENTAL PROTECTION

There are laws and regulations with respect to environmental protection in Thailand, under which all enterprises that discharge contaminants and other pollutants must take effective measures to prevent and cure the pollution and damage caused by pollutants that occurred as a result of their business activities. As advised by the Company's Thai legal advisers, each of Alush Thailand and Global Property is not subject to any requirement on environmental control laws in Thailand, since they are not engaged in any factory or manufacturing activities which are strictly controlled by authority on environmental matters in Thailand.

日照市環保局東港分局 (Rizhao Environmental Protection Bureau Donggang Branch) issued a confirmation letter on 31 March 2008 confirming that Rizhao Yushun's operation has been in compliance with the Environmental Protection Law since its establishment and up to the date of the confirmation.

As advised by the Company's PRC legal advisers, Rizhao Yushun is not a production oriented enterprise (生產型企業), therefore it is not subject to the production safety regulations.

As advised by the Company's Thai legal advisers, every company in Thailand must register itself and its employees with the Office of the Social Security ("OSS") and shall contribute an equal amount of employee's contribution to the OSS on a monthly basis. Currently, the rate is 5% of the monthly salary, subject however to a capped salary of THB15,000 (equivalent to approximately HK\$3,300) for this purpose. At present, both Alush Thailand and Global Property have registered themselves with OSS and as per Company's Thai legal advisers' knowledge, Alush Thailand and Global Property have not been in violation of the relevant law on social security for their own employees.

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Save as disclosed above, the Group is not subject to any environmental rules and regulations arising from the trading of cassava chips, whether directly or indirectly. After having made reasonable enquiries, the Directors confirm that the Group has not committed any material breach of the relevant PRC environmental protection laws and regulations during the Track Record Period. The Directors confirm that the Group's operations are in compliance with the currently applicable labour and safety regulations in all respects and the Group does not have any non-compliance records in labour and safety matters.

### INTELLECTUAL PROPERTY RIGHTS

The Group conducts its business principally under its trademark "Artwell", which is registered in the PRC. Pursuant to a transfer agreement dated 26 March 2008 entered into between Mr. Chu as assignor and Art Ocean as assignee, Mr. Chu assigned the ownership and interests of certain trademarks in the PRC to Art Ocean for a nominal consideration of RMB1.00 (equivalent to approximately HK\$1.14). Application for approval of such assignment has been submitted to the Trademark Office under the State Administration for Industry and Commerce of the PRC. As at the Latest Practicable Date, the relevant approval was still pending and the possible time for completion of the issue of the relevant approval would be mid 2009. Details of the relevant trademarks are as follows:

Trademark	Place of registration	Class	Registration number	Date of submission of application for approval of assignment
雅  禾 Artwell	PRC	30	3488176	21 July 2008
 Artwell	PRC	29	3488192	21 July 2008
雅  禾 Artwell	PRC	31	3488193	21 July 2008

As at the Latest Practicable Date, the Group was the registered owner of the following trademarks:

Trademark	Place of registration	Class(es)	Registration number	Registration date	Expiry date
雅  禾 Artwell	Hong Kong	29, 30	301087452	8 April 2008	7 April 2018
 Artwell	Hong Kong	29, 30	301090124	10 April 2008	9 April 2018

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Trademark	Place of registration	Class(es)	Registration number	Registration date	Expiry date
雅  禾 Artwell	Hong Kong	31	301142748	18 June 2008	17 June 2018
 Artwell	Hong Kong	31	301142739	18 June 2008	17 June 2018
雅  禾 Artwell	Macau	29	N/36125	30 October 2008	30 October 2015
 Artwell	Macau	29	N/36121	30 October 2008	30 October 2015
雅  禾 Artwell	Macau	30	N/36126	30 October 2008	30 October 2015
 Artwell	Macau	30	N/36122	30 October 2008	30 October 2015
雅  禾 Artwell	Macau	31	N/36818	24 November 2008	24 November 2015
 Artwell	Macau	31	N/36817	24 November 2008	24 November 2015

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks, but registration of which has not yet been granted:

Trademark	Applicant	Place of application	Date of application	Class(es)	Application number
	Art Ocean	Hong Kong	18 September 2008	29, 30, 31	301204154
	Art Ocean	Hong Kong	31 December 2008	29, 30, 31	301266471
 Artwell	Art Ocean	Thailand	28 May 2008	29	696609
 Artwell	Art Ocean	Thailand	28 May 2008	30	696611
 Artwell	Art Ocean	Thailand	25 June 2008	31	699935

Further information relating to the trademarks assigned is set forth in the paragraph headed “Intellectual property rights” under the section headed “Further information about the business” in Appendix V to this prospectus.

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As disclosed above, the Group had applied for the assignment of certain trademarks in the PRC as well as the registration of various trademarks in Thailand and Hong Kong. As at the Latest Practicable Date, the approval for the Group's applications for the said assignment and registration of certain trademarks in the PRC, Thailand and Hong Kong are still pending.

As advised by the legal advisers to the Company, no legal impediment is envisaged for such assignment in the PRC nor for the completion of registration of such trade marks in Thailand and Hong Kong in the circumstances. The potential risk of the incomplete assignment or registration of the Group's trademarks is set out in the paragraph headed "Incomplete assignment and registration of trademarks" under the section headed "Risk factors" in this prospectus.

In any event, unregistered trademarks may be protected by the common law action of passing off in Hong Kong and other civil actions in Thailand. The Directors believe that the Group is able to prove the goodwill and reputation in the names and marks of its products in Hong Kong and Thailand. If any person trades cassava products in Hong Kong or Thailand using a mark or trade name which leads or is likely to lead the public to believe that those cassava chips are the Group's or such person's business is connected with the Group, the Group is entitled to commence civil actions against such person. Therefore, even though the trademark applications in Hong Kong and Thailand have not been approved by the respective trademark registration authorities, the Directors believe that the non-registration will not have any material adverse impact on the Group's business.

Further information relating to the trademark of the Group is set forth in the paragraph headed "Intellectual property rights" under the section headed "Further information about the business" in Appendix V to this prospectus.

As at the Latest Practicable Date, the Group had not given any consent to any other party for the use of any trademarks owned by the Group. The Directors confirm that they are not aware of (i) any material infringement of trademarks used by the Group during the Track Record Period; and (ii) any litigation or material disputes regarding the intellectual property rights used by the Group during the Track Record Period.

### PROPERTY INTERESTS

As at the Latest Practicable Date, the particulars of the properties owned or leased by the Group companies are set out as follows:

#### **Properties held and occupied by the Group in Hong Kong**

The Group owns offices located at Unit No. 13 and 17 on 6th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong with floor area of approximately 124m<sup>2</sup> and 115m<sup>2</sup> respectively. Both of these units are used by the Group as part of its head office and principal place of business in Hong Kong.

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### Properties held and occupied by the Group in PRC

The Group owns office located at Unit 1 on 2nd Floor, Block 1 at No. 22 Dongshen Road, E-gong Ling, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC with floor area of approximately 30m<sup>2</sup>. This unit is used by the Group as its liaison centre in Shenzhen.

### Properties held by the Group in Hong Kong for investment purpose

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessee	Usage
Unit No. 1 on 7th Floor, Houston Centre No. 63 Mody Road, Kowloon, Hong Kong	124	1 February 2009 – 31 January 2011	An Independent Third Party	Office
Unit No. 2 on 7th Floor, Houston Centre No. 63 Mody Road, Kowloon, Hong Kong	120	1 August 2009 – 31 July 2011	An Independent Third Party	Office
Unit 12 on 12th Floor, Seapower Tower Concordia Plaza, No. 1 Science Museum Road Kowloon, Hong Kong	88	1 September 2007 – 31 August 2009	An Independent Third Party	Office
Unit 2 on 5th Floor of Tower A, New Mandarin Plaza No. 14 Science Museum Road Kowloon, Hong Kong	75	18 October 2007 – 17 October 2009	An Independent Third Party	Office

### Property owned by the Group in the PRC for investment purpose

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessee	Usage
A factory complex at (excluding unit 1 on 2nd floor of Block 1) No. 22 Dongshen Road E-gong Ling, Pinghu Town, Longgang District Shenzhen City, Guangdong Province the PRC	1,348.80	1 July 2007 to 30 June 2010	A connected person – A luck Limited	Factory

As advised by the Company's PRC legal advisers, the Group has obtained the title certificate of the property and the title of the property, subject to the compliance of the terms of land assignment agreement, can be freely transferred, leased or charged in the market.

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### Properties rented by the Group in the PRC

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor	Usage
Unit 301, West Wing No. 5 Xixia Road (also known as Lu Gou Hai Tang Road), Lianyungang District Lianyungang City Jiangsu Province the PRC	57	1 April 2008 – 31 March 2011	A connected person – Lianyungang Yafa Enterprise Co., Ltd.	Office

As advised by the Company's PRC legal advisers, (1) according to the land use rights certificate (ref. no. Lian Guo Yong (2004) Zi Di A000004) and the building ownership certificate (ref no. Lian Fang Quan Zheng Lian Zi Di L00106557) dated 23 March 2004 and 31 March 2004 respectively, the subject building (including the property) with a gross floor area of 1,339.92 square metres is held by Lianyungang Yafa Enterprise Co., Ltd. (連雲港雅發實業有限公司) ("Lianyungang Yafa"); (2) Lianyungang Yafa being the landlord of the property has the right to lease out the property; (3) the agreed use stated in the tenancy agreement is consistent with the permitted use of the property; (4) Rizhao Yushun is not subject to any oppressive or unreasonable terms and conditions under the tenancy agreement; (5) Rizhao Yushun has the right to occupy the property during the term of the tenancy agreement; (6) the tenancy agreement is legal, valid and enforceable between the parties to the agreement; and (7) although leasing registration of the tenancy agreement at the relevant government authorities has not yet been effected, no penalty will be imposed on the lessee.

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor	Usage
Unit No. 3203 on 32nd Floor, Block 1, Jindu Garden No. 37 Donghai Xi Road, Shinan District Qingdao City, Shandong Province the PRC	114.04	1 April 2008 – 31 March 2011	Mr. Chu	Dormitory/office

As advised by the Company's PRC legal advisers, (1) according to the building and land ownership certificate (ref no. Qing Fang Di Quan Shi Zi Di 58784) dated 29 December 2002, the property is owned by Mr. Chu. As no land use rights certificate is provided to the PRC legal advisers, they are unable to ascertain whether Mr. Chu, being the landlord of the property, is the owner of the land portion of the property. The Group's leasehold interest in the property may be affected in case where there is dispute on land title; (2) the actual use of the property as office is not consistent with the agreed use stated in the tenancy agreement, the lessor has the right to terminate the tenancy agreement and forfeit the property and the lessee shall be responsible for any loss incurred by the lessor; and (3) although leasing registration of the tenancy agreement at the relevant government authorities has not yet been effected, no penalty will be imposed on the lessee.

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Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor	Usage
Eastern portion of 4th Floor Rizhao Artwell International Hotel No. 96 Xing Hai Road Rizhao City, Shandong Province the PRC	56	1 April 2008 - 31 March 2011	A connected person - Rizhao Artwell International Hotel Co. Ltd.	Office

As advised by the Company's PRC legal advisers, (1) Rizhao Artwell International Hotel Co. Ltd. (日照雅禾國際大酒店有限公司), being the landlord, is the sole owner of the property and has the right to lease out the property; (2) the agreed use stated in the tenancy agreement is consistent with the permitted use of the property; (3) Rizhao Yushun is not subject to any oppressive or unreasonable terms and conditions under the tenancy agreement; (4) Rizhao Yushun has the right to occupy the property during the term of the tenancy agreement; (5) the property is subject to a mortgage, and the mortgagee has the right to terminate the lease agreement if the mortgage is enforced; (6) the tenancy agreement is legal, valid and enforceable between the parties to the agreement; (7) although leasing registration of the tenancy agreement at the relevant government authorities has not yet been effected, no penalty will be imposed on the lessee.

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor	Usage
Unit Nos. 320-2, 3rd Floor No. 137 Lishan Road, Lixia District Jinan City, Shandong Province the PRC	25	19 December 2008 - 18 December 2009	An Independent Third Party	Office

As advised by the Company's PRC legal advisers, (1) since they have not been provided with the title certificates of the property concerned, they are unable to ascertain whether the lessor has the right to lease out the property to Rizhao Yushun. Therefore, the validity of the tenancy agreement by which the property is rented by the Group is uncertain; (2) in case where the tenancy agreement is void, the lessee shall surrender the property to the lessor. However, this does not deprive the Group from enforcing the dispute resolution clauses in the tenancy agreement and both parties are kept binding on those clauses; (3) in case where the agreed use stated in the tenancy agreement is not consistent with the permitted use of the property, the tenancy agreement may be regarded void; and (4) although leasing registration of the tenancy agreement at the relevant government authorities has not yet been effected, no penalty will be imposed on the lessee.

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As at the Latest Practicable Date, the Group had a total of four leased properties in the PRC which are located in Qingdao, Rizhao, Jinan and Lianyungang, the leased area of each of which ranges from about 25m<sup>2</sup> to 115 m<sup>2</sup>. Out of these leased properties, (i) the landlord of the property in Jinan did not provide the Group with the title certificates of the property concerned; (ii) the landlord of Qingdao (a connected person, particulars of which are set out in the paragraph headed “Details of Continuing Connected Transactions” under the section headed “Business” in the prospectus), did not provide the valid land use right certificate; (iii) the actual use as office under the lease of Qingdao Office did not comply with the agreed use as staff quarter and (iv) the office leased by the Group in Rizhao from a connected person is subject to a mortgage. If the mortgage is enforced, the mortgagee has the right to terminate the lease agreement. In respect of these leases, the Company’s PRC legal advisers are unable to confirm whether the party named as landlord in the lease for Jinan office has the legal right to execute the relevant lease and cannot confirm whether the leases are valid and enforceable or whether the rights of the Group are protected under the PRC law. The Company’s PRC legal advisers also confirm that save for (i) in respect of the leased property in Jinan, in case where the agreed use stated in the tenancy agreement is not consistent with the permitted use of the property, the tenancy agreement will be void; and (ii) the actual use as office under the lease of Qingdao Office did not comply with the agreed use as staff quarter, there is no other illegal use of the relevant properties. Given (1) none of the group companies of the Company is an infrastructure project company nor a property company; (2) the four leased premises in the PRC serve as the offices and liaison points of the Group, function of which are only for working places for the marketing staff in the PRC; (3) the assets placed in these four leased premises are mainly office equipment and are not trading materials; (4) the leased floor area for each of the 4 leases are only about 25m<sup>2</sup>, 56m<sup>2</sup>, 57m<sup>2</sup> and 114m<sup>2</sup>, respectively; and (5) in the opinion of the Directors, in case of any dispute as to the legal title of such leased property and/or if the Group’s right to occupy the property comes into question, or the relevant leases are considered void by the relevant PRC authorities which leads to any relocation of the relevant office, additional expenses to be incurred and the time to be spent on in relation to such relocation is immaterial and the effect on the Group’s business operations arising therefrom should not be material, the Directors consider that the relevant properties were not crucial to the Group, the Directors do not consider such imperfect title and non-registration of lease agreements, may affect the Group operation in any material aspect.

Each of Mr. Chu and AR Management has jointly and severally undertaken to indemnify and to keep each of the members of the Group fully indemnified in respect of any loss, damages, liability, relocation cost and disruption in operation suffered by any of the members of the Group as a result of or in connection with the forfeiture of the tenancy under any of the lease agreements due to any failure of any of the lessors of the leased properties under the lease agreements to comply with the requisite procedures (including but not limited to registration or filing of the lease agreements with the relevant PRC governmental authorities) under the applicable PRC laws and regulations in respect of the lease agreements and/or any of the lessors does not have the building ownership right or land use right in respect of the leased properties or has not obtained the required land use right certificate and building ownership certificate in respect thereof, or otherwise does not have the right, authority or capacity to grant the tenancy of the leased properties under the lease agreements or the actual use of any of the leased properties does not comply with the permitted use under the relevant land use right certificate and building ownership certificate.

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Where the relevant office has to be relocated, the Directors undertake to ensure that such relocation of property has proper title. However, the Directors cannot confirm when such relocation will take place. The Directors consider it not a practical difficulty to find a replacement premises in the locality within a relatively short period of time and without significant additional cost nor inconvenience.

### Properties rented by the Group in Macau

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor	Usage
Unit F on 28th Floor Edifício Comercial I Tak No. 126 Rua da Pequim Macau	70.10	17 January 2009 – 16 January 2011	An Independent Third Party	Office

### Property rented by the Group in Hong Kong

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor	Usage
Unit No. 12, 6th Floor, Houston Centre No. 63 Mody Road, Kowloon, Hong Kong	120	1 April 2008 – 31 March 2010	A connected person – Alther Limited	Office

### Properties rented by the Group in Thailand

Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor ( <i>Note</i> )	Usage
Warehouses No. 4 5/4 Moo 8, Tambon Bangpakong Amphoe Bangpakong, Chachoengsao Province Thailand	2,640	19 November 2008 – 19 November 2009	An Independent Third Party	Warehouses
Warehouses Nos. 3 and 9 59 Bangsai-Chiongranoi Road Changyai Sub-district, Bangsai District Ayudhdhaya Province Thailand	5,217	1 March 2008 – 28 February 2011	An Independent Third Party	Warehouses

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Address	Approximate gross floor area <i>m</i> <sup>2</sup>	Term of lease	Lessor ( <i>Note</i> )	Usage
Warehouses no. 1 and no. 2 No. 88 Moo 4 Sukhumwit Rd., Sriracha Chonburi 20110, Thailand	10,300	1 April 2008 - 31 March 2011	An Independent Third Party	Warehouses

*Note:* Save for the lease of warehouse no. 2 in Sriracha, all of the other properties leased by the Group in Bangsai and Sriracha are sub-leased by the Group from the lessors of the relevant properties. As advised by the Company's Thai legal advisers, the relevant lessors have the right to sub-lease the properties to the Group.

For the warehouses in Bangpakong, the Company's Thai legal advisers were unable to confirm the ownership of the lessor. However, under Thai laws as supported by Thailand Supreme Court judgments, a lessor of a property needs not be owner of the property but needs to have the right to lease out the property, e.g. sub-lease. In the opinion of the Company's Thai legal advisers, the lease agreement is legal, valid, subsisting, binding and enforceable against the parties thereto under the laws of Thailand complies with the Thai laws and regulations. In the event it appears that the lessor in fact does not have the right to lease out the said property due to any reason or the lessor's right is terminated by any means, the lessee will not be subject to any penalty or claims since it legally entered into the relevant lease agreement with good faith.

The present use of each of the leased properties in Thailand is permitted use for the purpose of the relevant planning or building regulations or the relevant approval (if appropriate) and is not adversely affected by any planning or regulations.

All the lease agreements in Thailand are not required to register or file with any authority since none of the lease term therein is longer than 3 years.

Further particulars of the Group's property interests are set out in the valuation certificate of its property interests prepared by Asset Appraisal Limited, the text of which is set out in Appendix III to this prospectus.

### INSURANCE

The Group maintains insurance coverage on its inventories stored at its leased warehouses in Thailand. Cargo insurance for shipment is generally effected by the Group's customers pursuant to the shipment terms or occasionally by the Group on behalf of its customers if the customers fail to take out the insurance cover.

The Group has purchased insurance and made contributions to various social insurance for its employees in the PRC. Please refer to the paragraph headed "Staff benefit" in the section headed "Directors, senior management and staff" in this prospectus for detail of the social insurance for employees in the PRC.

The Group does not maintain any insurance coverage for product liability. The Company's PRC legal advisers also advised that, for the products currently sold by the Group, there is no mandatory product liability insurance required to be adopted in the PRC. The Directors consider that it is not necessary to purchase product liability insurance as the Group's products are sold as ingredients to other producers/manufacturers and trading companies for further processing and/or sale. The Directors are of the view that the coverage of the insurance policies of the Group is adequate and are in compliance with the relevant rules and regulations in the PRC.

The Directors confirm that the Group had not experienced any product liability claim throughout the Track Record Period.

#### **DETAILS OF CONTINUING CONNECTED TRANSACTIONS**

Prior to the Listing, the Group has entered into the following transactions with certain parties, which will be connected persons (as defined under the Listing Rules) of the Company upon the Listing. All of these transactions will continue after the listing of Shares on the Main Board and constitute continuing connected transactions (as defined under the Listing Rules) of the Company.

#### **Continuing connected transactions exempt from announcement and independent Shareholders' approval requirements**

##### *Relationship between the Group and each of the relevant connected persons*

Alther Limited ("**Alther**") is a company incorporated in Hong Kong on 25 March 1988. As at the Latest Practicable Date, its entire issued share capital was owned approximately as to 99.98% by Mr. Chu, 0.01% by Mrs. Chu, and 0.01% by Ms. Wong Yun Chun, mother of Mr. Chu.

Rizhao Artwell International Hotel Co. Limited ("**Rizhao Hotel**") is a wholly foreign owned enterprise established in the PRC on 22 August 2002. As at the Latest Practicable Date, its entire registered capital was wholly owned by Artwellgroup (Hotel) Holdings Company Limited (formerly known as Oriental Pioneer Limited), which was in turn wholly owned by Mr. Chu.

連雲港雅發實業有限公司 (Lianyungang Yafa Enterprise Co. Limited) ("**Yafa Enterprise**") is a wholly foreign owned enterprise established in the PRC on 12 March 2003. As at the Latest Practicable Date, its entire registered capital was owned by Artwell Investment Holding Limited, which is in turn wholly owned by Exquisite Gold. Exquisite Gold is wholly owned by Mr. Chu.

A Luck Limited (formerly known as A-lush Limited) ("**A-luck**") is a company incorporated in Hong Kong on 27 September 1985. As at the Latest Practicable Date, its issued share capital is owned approximately as to 99.997% by Mr. Chu and 0.003% by Mrs. Chu and Mr. Chu is also a director of A-luck.

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As Mr. Chu, the Chairman, an executive Director and a director of various subsidiaries of the Company and the controlling shareholder of the Company, beneficially owns over 30% interest in each of Alther, Rizhao Hotel, Yafa Enterprise and A-luck, each of Mr. Chu, Alther, Rizhao Hotel, Yafa Enterprise and A-luck is a connected person of the Company under the Listing Rules.

Under the Listing Rules, for so long as each of Mr. Chu, Alther, Rizhao Hotel, Yafa Enterprise and A-luck remains a connected person of the Company, the transactions described below will constitute connected transactions upon Listing.

### *Leases by the Group from connected persons*

#### (a) Lease from Alther in relation to an office in Hong Kong

On 15 May 2008, the Group and Alther entered into a lease agreement (the “**Hong Kong Office Lease Agreement**”), pursuant to which Alther (as landlord) agreed to lease a property located at Unit 612, 6th Floor, Houston Centre, 63 Mody Road, Tsimshatsui East, Kowloon, Hong Kong with a total gross floor area of approximately 120 m<sup>2</sup> to the Group (as tenant), for business use for a period of two years commencing from 1 April 2008 and expiring on 31 March 2010, at a total annual rental of HK\$387,900. The Group occupied the above property during the Track Record Period at nil consideration. Prior to the listing of the Shares on the Main Board, the Directors consider that it would be reasonable and prudent to enter into an agreement between the Group and Alther in order to fairly reflect the Group’s operating performance.

#### (b) Lease from Rizhao Hotel in relation to an office in Rizhao, the PRC

On 28 March 2008, Rizhao Yushun and Rizhao Hotel entered into a lease agreement (as supplemented by an agreement dated 29 March 2008) (the “**Rizhao Office Lease Agreement**”), pursuant to which Rizhao Hotel (as landlord) agreed to lease a property located at Eastern portion of 4th Floor, Rizhao Hotel, No. 96 Xing Hai Road, Rizhao City, Shangdong Province, the PRC with a total gross floor area of approximately 56 m<sup>2</sup> to the Group (as tenant) for office and operational uses for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at an annual rental of RMB120,000 (equivalent to approximately HK\$136,300).

#### (c) Lease from Yafa Enterprise in relation to an office in Lianyungang, the PRC

On 28 March 2008, the Group and Yafa Enterprise entered into a lease agreement (the “**Lianyungang Office Lease Agreement**”), pursuant to which Yafa Enterprise (as landlord) agreed to lease a property located at Unit 301, West Wing, No. 5 Xixia Road (also known Lu Gou Hai Tang Road), Lianyungang District, Lianyungang City, Jiangsu Province, the PRC with a total gross floor area of approximately 57 m<sup>2</sup> to the Group (as tenant) for office and operational uses for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011 at an annual rental of RMB34,200 (equivalent to approximately HK\$38,800).

(d) Lease from Mr. Chu in relation to a staff quarter in Qingdao, the PRC

On 28 March 2008, Rizhao Yushun and Mr. Chu entered into a lease agreement (as supplemented by an agreement dated 29 March 2008) (the “**Qingdao Staff Quarters Lease Agreement**”), pursuant to which Mr. Chu (as landlord) agreed to lease a property located at Unit 3203, 32nd Floor, Block 1, No. 37 Donghai Xi Road, Shinan District, Qingdao City, Shangdong Province, the PRC with a total gross floor area of approximately 114.04 m<sup>2</sup> to Rizhao Yushun (as tenant) as staff quarters for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at an annual rental of RMB120,000 (equivalent to approximately HK\$136,300).

The annual rent under each of the Hong Kong Office Lease Agreement, the Rizhao Office Lease Agreement, the Lianyungang Office Lease Agreement and the Qingdao Staff Quarters Lease Agreement (collectively, the “**Lease Agreements**”) was determined on an arm’s length basis between the Group and the relevant connected persons. The Company’s independent valuer, Asset Appraisal Limited, has confirmed that the current rental payable by the Group pursuant to each of the Lease Agreements is fair and reasonable.

The Directors (including the independent non-executive Directors) have confirmed that the transactions under each of the Lease Agreements has been and will be conducted in the ordinary and usual course of business of the Group on normal commercial terms. As such the Directors considered that the entering into the Lease Agreements by the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the aggregate annual rental expenses under each of the Lease Agreements (a) to (d) above payable by the Group to the relevant connected persons for each of the two years ending 31 March 2010 will be approximately HK\$699,400 and the aggregate annual rental expenses under each of the Lease Agreements (b) to (d) above payable by the Group to the relevant connected persons for the year ending 31 March 2011 will be approximately HK\$311,500, which are less than HK\$1,000,000, and each of the percentage ratios mentioned in Rule 14.07 of the Listing Rules is less than 2.5%, the above transactions fall below the de minimis threshold of HK\$1,000,000 under Rule 14A.33(3) of the Listing Rules and thus are not subject to any reporting, announcement or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

*Lease by the Group to a connected person*

On 28 June 2007, Artwell Enterprises, which at the time held the factory complex and the land underneath on trust for and on behalf of Mr. Chu, and A-luck entered into a lease agreement (the “**Shenzhen Factory Lease Agreement**”) which was supplemented by an agreement dated 28 March 2008, pursuant to which Artwell Enterprises (as landlord) agreed to lease a factory complex located at No. 22 Dongshen Road, E-gong Ling, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC with a total gross floor area of approximately 1,348.8 m<sup>2</sup> to A-luck (as tenant), for a period of three years commencing from 1 July 2007 and expiring on 30 June 2010, at a total annual rental of

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RMB198,540 (equivalent to approximately HK\$225,500). A-luck occupied the above property during the Track Record Period, starting from 1 July 2007, at monthly rent of RMB16,545 (equivalent to approximately HK\$18,800). However, as the above property was held by Artwell Enterprises as a nominee of Mr. Chu from 3 March 1995 to 31 March 2008 pursuant to a nominee agreement entered into between Artwell Enterprises and Mr. Chu on 3 March 1995, the rental income so received belonged to Mr. Chu during the three financial years ended 31 March 2008 and therefore, no rental income was recorded by the Group before 31 March 2008. The rental income was only recorded by the Group after 31 March 2008 after Artwell Enterprises and Mr. Chu had signed an agreement cancelling the above-mentioned nominee agreement, pursuant to which Artwell Enterprises acquired the above property at a consideration of RMB9.2 million (equivalent to approximately HK\$10.5 million).

The annual rent under the Shenzhen Factory Lease Agreement was determined on an arm's length basis between the Group and A-luck. The Company's independent valuer, Asset Appraisal Limited, has confirmed that the current rental payable by the Group pursuant to the Shenzhen Factory Lease Agreement is fair and reasonable.

The Directors (including the independent non-executive Directors) have confirmed that the Shenzhen Factory Lease Agreement has been and will be conducted in the ordinary and usual course of business of the Group on normal commercial terms. As such the Directors considered that the entering into the Shenzhen Factory Lease Agreement by the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the aggregate annual rental income under the Shenzhen Factory Lease Agreement receivable by the Group from A-luck for each of the three years ending 31 March 2011 will be RMB198,540 (equivalent to approximately HK\$225,500), which is less than HK\$1,000,000, and the percentage ratios mentioned in Rule 14.07 of the Listing Rules is less than 2.5%, the rental receivable under Shenzhen Factory Lease Agreement fall below the de minimis threshold of HK\$1,000,000 under Rule 14A.33(3) of the Listing Rules and thus are not subject to any reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Non-exempt Continuing Connected Transactions**

#### *Continuing connected transactions*

According to the Company's Thai legal advisers, under the Foreign Business Act, a Thai national company, that is, more than 50% of issued shares of the company are held by Thai national, is entitled to engage in all kind of businesses in Thailand, including businesses which foreign companies may be prohibited or restricted from engaging in for the purposes of the Foreign Business Act.

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To allow the Group to have flexibility to engage in (though the Group presently does not have any plan or intention to do so) such in Thailand, the Directors decide to maintain Global Property as a Thai national company such that the Group in aggregate legally and beneficially owns as to 49% equity interests in Global Property (through Art Rich owns as to 48.95% equity interests in Global Property and each of Artwell Tapioca, All High, Alternative View, Artwell Enterprises and Art Ocean owns as to 0.01% equity interests in Global Property) while Mr. Aja acts as registered holder of 51% equity interests in Global Property and the beneficial interests in and effective control of the 51% equity interests in Global Property by Art Rich was structured under the Aja-Art Rich Arrangements, the particulars of which are as follows:

(1) Loan agreement

On 26 March 2008, Art Rich as a lender and Mr. Aja as a borrower entered into a loan agreement, pursuant to which Art Rich had lent THB127,500 (equivalent to approximately HK\$28,300) to Mr. Aja.

(2) Share pledge agreement

As security to the repayment of his loans owed to Art Rich, Mr. Aja had also entered into a share pledge agreement with Art Rich on 26 March 2008, pursuant to which Mr. Aja agreed to pledge his shares in Global Property, representing 51% equity interests in Global Property, in favour of Art Rich, by virtue of which, Art Rich could enforce the share pledge in an event of default of the loan repayment.

(3) Letter of undertaking

On 26 March 2008, Mr. Aja had made a letter of undertaking whereby Mr. Aja had undertaken, among other things, to assign and direct all dividends and special distribution paid and payable by Global Property in relation to his shares in Global Property, and all distribution of assets made or to be made by Global Property in relation to his shares in Global Property solely to Art Rich.

(4) Proxy

On 26 March 2008, Mr. Aja also appointed Art Rich as its proxy to receive notices of shareholders' meeting and to vote in all shareholders' meetings of Global Property for any proposed resolution.

In the opinion of the Company's Thai legal advisers, such arrangement is lawful, valid and legally effected, binding and enforceable under the laws of Thailand. Therefore, by virtue of the Group's legal and beneficial ownership of 49% equity interests in Global Property and its beneficial interest in and effective control of the 51% equity interests through the Aja-Art Rich Arrangements, Art Rich alone can act solely to transact any business of Global Property by calling for any shareholders' meeting, directors' meeting and convene such meeting and adopt any

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resolution Art Rich may desire, and such resolution is valid and lawful provided that the resolution is not against the laws of Thailand. The Aja-Art Rich Arrangements in effect enables the Group to be beneficially interested in 100% equity interest in Global Property since 26 March 2008.

### *Relationship between the Group and the relevant connected person*

Mr. Aja is the registered holder of 51% equity interests of Global Property and therefore is a substantial shareholder of a subsidiary of the Company. As such, he is a connected person of the Company under the Listing Rules. Also, Mr. Aja had been a director of Global Property until 25 June 2008 and therefore is regarded as a connected person of the Company by virtue of Rule 14A.11(2) of the Listing Rules.

Accordingly, transactions under the Aja-Art Rich Arrangements would technically be considered as continuing connected transactions and, unless an exemption is available under the Listing Rules, must comply with the applicable announcement, reporting and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the Aja-Art Rich Arrangements are fundamental to the Group's legal structure and business operations and are on terms that are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole. The Directors also believe that the unique nature of the structure whereby the financial results of Global Property are consolidated into the Group's financial statements as if it were the subsidiary of the Company, and the economic benefit of its business flows to the Group, places the Group in a unique position in relation to the connected transaction rules. Accordingly, notwithstanding that the Aja-Art Rich Arrangements technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, the Directors consider that it would not be appropriate for the Aja-Art Rich Arrangements to be subject to, amongst other things, the periodic approval of the independent Shareholders.

### *Waiver Sought*

In view of the above reasons, the Group has therefore applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a specific waiver from strict compliance with the applicable announcement, reporting and independent shareholders' approval requirements, of Chapter 14A of the Listing Rules in relation to the transactions contemplated under the Aja-Art Rich Arrangements for so long as Shares are listed on the Stock Exchange, for the reasons and on the conditions set out below:

- (1) No change without independent Shareholders' approval:

Save as disclosed under the heading "Change Global Property into a foreign company", no changes to the Aja-Art Rich Arrangements will be made without the approval of independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further periodic or other approvals will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed.

(2) Economic benefits flexibility

The Aja-Art Rich Arrangements enable the Group to receive the economic benefits derived from Global Property through assignment and direction by Mr. Aja of all dividends and special distribution paid and payable by Global Property in relation to his shares in Global Property, and all distribution of assets made or to be made by Global Property in relation to his shares in Global Property solely to Art Rich. In order to enable the Group to receive all of the economic benefits derived from Global Property, there will be no monetary cap on any of the agreements under the Aja-Art Rich Arrangements save that maximum monetary cap of all the loan granted to Mr. Aja under the Aja-Art Rich Arrangements will be limited to THB510,000 (equivalent to approximately HK\$113,200), being the total amount of nominal value of the 51% equity interests in Global Property.

(3) Cloning

On the basis that the Aja-Art Rich Arrangements provide an acceptable framework for the relationship between the Company and subsidiaries, on one hand, and Global Property, on the other hand, that framework may be renewed and/or “cloned” upon the expiring of the existing arrangement or in relation to any existing or new company that the Company might wish to establish, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Aja-Art Rich Arrangements that protect the Shareholders.

(4) Changing Global Property into a foreign company

In the event that the existing legal restrictions prohibiting or restricting a foreign company under the Foreign Business Act and/or the Land Code to engage in certain relevant businesses (such as acquisition of land or land trading) in Thailand are abolished or relaxed, the Company may wish to exercise the right to acquire the 51% equity interests in Global Property under the Aja-Art Rich Arrangements by demanding the repayment of the loan and demanding and effecting the transfer of the shares pledged by Mr. Aja to Art Rich under the share pledge agreement to Art Rich or its designated person at a consideration equal to the loan amount and the consideration will be offset by the amount equal to the entire amount of the loan. This may require the Aja-Art Rich Arrangements to be terminated. The Company shall be able to carry out the aforesaid reorganisation without Shareholders’ approval.

(5) Transaction between Global Property and other members of the Group

In addition to the Aja-Art Rich Arrangements, there may be other contracts between the Company and wholly-owned subsidiaries, on one hand, and Global Property on the other. Given that the results of Global Property are consolidated into the Company’s accounts, and given the relationship between the various companies within the Group (including Global Property) created by the Aja-Art Rich Arrangements, transactions between the Company and its wholly-owned subsidiaries, on one hand, and Global Property, on the other, should be exempted from the “continuing connected transactions” provisions of the Listing Rules.

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### *Conditions*

Certain conditions have been imposed by the Stock Exchange in respect of the above specific waiver as follows:

- (1) the Company will disclose whether the Aja-Art Rich Arrangements in place during each financial period in the annual report and accounts in accordance with the relevant provisions of Rule 14A.45 of the Listing Rules;
- (2) the independent non-executive Directors will review the Aja-Art Rich Arrangements and the Other Contracts annually and confirm in the annual report and accounts for the relevant year that the Aja-Art Rich Arrangements remain unchanged and consistent with existing disclosure and that no dividends or other distributions have been made by Global Property to Mr. Aja during the relevant financial period are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole;
- (3) the Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Aja-Art Rich Arrangements and the Other Contracts, and to provide a confirmation to the Board, with a copy to the Stock Exchange, at least 10 business days before the bulk-printing of the Company's annual report, confirming that the economic interest generated by Global Property flows to the Group is in accordance with the criteria and principles set out under the Aja-Art Rich Arrangements and the Other Contracts and is properly approved by the directors of Global Property and that no dividends or other distributions have been made by Global Property (save as to Art Rich, Artwell Tapioca, All High, Alternative View, Artwell Enterprises and Art Ocean);
- (4) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of Global Property and any other newly established operating company, will be treated as a wholly-owned subsidiary of the Company, but at the same time, the directors, chief executive and substantial shareholders of Global Property and any other newly established operating company, and their respective associates will be treated as "connected persons" of the Group and transactions (excluding the Aja-Art Rich Arrangements) between these connected persons and the Group (including Global Property and any other newly established operating company), shall comply with Chapter 14A of the Listing Rules; and
- (5) Global Property will provide to the Company an undertaking that, for so long as the Shares are listed on the Stock Exchange, Global Property will allow the Company and its auditors to have full access to relevant records of Global Property for the purpose of the Company's auditors' review of the transactions referred to above.

The Sponsor concurs with the Directors' view that the Aja-Art Rich Arrangements taken as a whole is fair and reasonable and in the interest of the Shareholders as a whole.

**PROCESSING NOMINEE ARRANGEMENT**

The processing contract for processing and manufacturing of plastic and metal products, (the “**Processing Contract**”) was entered into between Artwell Enterprises and 寶安縣平湖鎮鵝公嶺經濟發展公司 (Baoan County Pinghu Town E-gong Ling Economic Development Limited) (“**EEDL**”) and 深圳市寶安縣對外貿易公司 (Shenzhen Baoan Foreign Trade Limited) on 22 November 1991 for engaging the processing factory for processing and manufacturing of plastic and metal products. Pursuant to the relevant documents (the “**Processing Nominee Arrangement**”) executed between Artwell Enterprises and Mr. Chu on 22 November 1991, Artwell Enterprises had entered into the Processing Contract as a nominee of Mr. Chu and had continued to hold the rights and obligations under the Processing Contract as nominee of Mr. Chu since then until 31 March 2008, when Mr. Chu assigned his interests and obligations in the Processing Contract to an Independent Third Party (the “**New Owner**”) and Artwell Enterprises held the rights and obligations under the Processing Contract as nominee of the New Owner. Pursuant to the Processing Nominee Arrangement, among other things, (i) Artwell Enterprises should enter into the Processing Contract, provide machineries for setting up the processing factory, holding the processing license attaching to the processing factory and through the processing factory, conduct processing business on behalf of Mr. Chu, (ii) Mr. Chu should pay all the cost and expenses such as, machines, equipments, raw materials, components and processing fees in relation to the setting up and operating the processing factory in accordance with the Processing Contract, and (iii) Artwell Enterprises should ensure that all the economic interests generated from the Processing Contract to flow to Mr. Chu. On 31 March 2008, Artwell Enterprises, Mr. Chu and the New Owner, an Independent Third Party, entered into an assignment, pursuant to which Mr. Chu assigned all his rights and liabilities under the Processing Contract to the New Owner at nil consideration. To the best knowledge of the Directors, after the assignment, no new processing order has been received. Further, pursuant to an agreement made on 20 January 2009 between Artwell Enterprises and a company wholly-owned by the New Owner, at the instruction of the New Owner, the parties have agreed to transfer the rights and obligations of Artwell Enterprises under the Processing Contract and Processing Nominee Arrangement to the company wholly-owned by the New Owner. According to the New Owner, the relevant authority has approved the application of the transfer and in the process of completing the transfer registration process. As advised by the PRC legal advisers, it is expected that no difficulty would be encountered in completing the transfer registration process. Before the completion of such transfer registration process, Artwell Enterprises will still be holding the rights and obligations under the Processing Contract as nominee of the New Owner. As advised by the PRC legal advisers, the Processing Nominee Arrangement, the subsequent assignment and the transfer do not violate prohibitive provisions of the relevant laws and regulations in the PRC. The Controlling Shareholders, Mr. Chu and AR Management undertake to fully indemnify the Group for any costs, losses or damages in relation to the above arrangement. Further details of the indemnity is set out in the paragraph headed “Other information” in Appendix V to the Prospectus.

**DISCLOSURE UNDER RULES 13.13-19 OF THE LISTING RULES**

Pursuant to Rule 13.13 to Rule 13.19 of the Listing Rules, a general disclosure obligation arises where the financial assistance to affiliated companies of an issuer and guarantees given for facilities granted to affiliated companies of an issuer exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

As disclosed in note 29 in the accountants' report, during the Track Record Period, certain of the Group's banking facilities amounting to approximately HK\$134 million were shared between the Group and Artwell Cotton, a related company of the Group controlled by a Director. These banking facilities were secured, inter alia, by certain properties and inventories of the Group, certain properties of a Director and related companies of the Group controlled by that Director, the Group's corporate guarantees, cross corporate guarantees given by Artwell Cotton, certain personal guarantees given by a Director and corporate guarantees given by certain related companies of the Group controlled by that Director. These banking facilities were not utilised by Artwell Cotton. Subsequent to 31 August 2008, the banking facilities have been modified to exclude Artwell Cotton as a borrower and the aforementioned pledges, corporate and personal guarantees and cross corporate guarantees given by or in favour of Artwell Cotton have been released.

Save as disclosed above and in note 31 in the accountants' report in Appendix I, there were no advances, no financial assistance, and no guarantees to affiliated companies of the Company as at 31 March 2006, 2007, 2008 and 31 August 2008 which would otherwise give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Company been listed on the Stock Exchange as at the respective date.

**NON-COMPETITION UNDERTAKING**

Mr. Chu and AR Management, as covenantors (collectively, the "**Covenantors**"), have entered into a deed of non-competition in favour of the Company on 18 February 2009 (the "**Non-competition Deed**"), pursuant to which each of the Covenantors has irrevocably and unconditionally undertaken to and covenanted with the Company (for itself and for the benefit of the members of the Group) that during the continuation of the Non-competition Deed that each of the Covenantors shall not, and shall procure each of his/its associates and/or companies controlled by he/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the import and export, distribution and marketing of cassava and business ancillary to any of the foregoing in each case, to be more particularly described or contemplated herein) in Thailand, Hong Kong, the PRC, Macau, Cambodia and any other country or jurisdiction to which the Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of the Group carries on business mentioned above from time to time (the "**Restricted Business**").

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The Directors have represented and warranted that none of them and, as far as they know, none of the Controlling Shareholders or his/its associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through the Group.

Pursuant to the Non-competition Deed, each of the Covenantors has also undertaken that if each of the Covenantors and/or any of his/its associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly within seven days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates.

The Directors (including the independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If the Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the "**30-day Offering Period**") of receipt of notice from the Covenantors, the Covenantors and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. With respect to the 30-day Offering Period, the Directors consider that such period is adequate for the Company to assess any New Business Opportunity as the Directors and senior management of the Group have been well experienced in the business of the Company. In order to ensure the Group have adequate time to assess some complicated business opportunities, the Covenantors have agreed to extend the offering period from 30 business days to a maximum of 60 business days should the Group require so by giving written notice within the 30-day Offering Period to the Covenantors.

In addition, upon Listing each of the Covenantors has also undertaken:

- (i) in favour of the Company to provide the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary, including but not limited to monthly sales records (such as purchase orders placed by customers, the corresponding invoices and any other relevant documents considered necessary by the independent non-executive Directors), for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-competition Deed and the enforcement of the non-competition undertakings in the Non-competition Deed;
- (ii) provide to the Company, (if necessary) after the end of each financial year of the Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Non-competition Deed, and if not, particulars of any

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non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of the Company for the relevant financial year such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and

- (iii) to the Group to allow the Directors, their respective representatives and the auditors to have sufficient access to the records of the Covenantor and his/its associates to ensure their compliance with the terms and conditions under the Non-competition Deed.

Further, each of the Covenantors has undertaken that during the period in which he/it and/or his/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (a) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by the Group from time to time;
- (b) he/it will not solicit any existing or then existing employee of the Group for employment by he/it or his/its associates (excluding the Group);
- (c) he/it will not without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to its knowledge in his/its capacity as the Controlling Shareholder for any purposes; and
- (d) he/it will procure his/its associates (excluding the Group) not to invest or participate in any project or business opportunity mentioned above.

The Non-competition Deed will take effect upon the listing of the Shares on the Main Board and shall expire on the earlier of:

- (a) the day on which the Shares cease to be listed on the Main Board or other recognized stock exchange; or
- (b) the day on which the Covenantors and his/its associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of the Company directly or indirectly or cease to be deemed as Controlling Shareholder and do not have power to control the Board or there is at least one other Shareholder other than the Covenantors and his/its respective associates holding more Shares than the Covenantors and his/its respective associates taken together.

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In order to strengthen the corporate governance in respect of the existing and potential conflict of interests between the Group and the Covenantors, upon Listing:

- (i) the Company shall disclose in its annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Non-competition Deed and the appropriate action to be taken by the Company;
- (ii) the Company shall disclose decision on matters reviewed by the independent non-executive Directors in relation to the compliance and enforcement of the arrangement of the New Business Opportunity in its annual reports;
- (iii) the Board will ensure reporting any event relating to potential conflict of interests to the independent non-executive Directors as soon as practicably when it realizes or suspects any event relating to potential conflict of interests may occur during the daily operations;
- (iv) following the reporting of any event relating to potential conflict of interest, the Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules in order to monitor any irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautionous actions; and
- (v) in the event that there is any potential conflict of interest relating to the business of the Group between the Group and the Controlling Shareholders, the interested Directors, or as the case may be, the Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/its interest and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Chu Ming Chuan, aged 53, is the chairman of the Board. He was also appointed as an executive Director on 8 May 2008. Save for Artwell Property, Mr. Chu is director of all the subsidiaries of the Company. Mr. Chu is responsible for formulating the Group's strategies and guiding the Group's overall development. He has over 20 years of experience in import and export of agricultural by-products and over 15 years of experience in the cassava industry. Mr. Chu is currently a standing member and a convenor for Hong Kong Region of the Chinese People's Political Consultative Conference, Shandong Province and standing member and a convenor for Hong Kong and Macau Regions of the Chinese People's Political Consultative Conference, Jinan City. He is also a permanent honorary chairman of the Hong Kong Federation of Fujian Associations. Mr. Chu has completed DBA (工商管理博士) course at the Shenzhen Research Institution of the Renmin University of China (中國人民大學深圳研究院). In the three years preceding the Latest Practicable Date, Mr. Chu did not hold any directorship in listed public companies or any other major appointments. Mr. Chu is the spouse of Ms. Ng Nai Nar and the brother of Ms. Chu Ling Ling, Miranda and Mr. MK Chu respectively.

Ms. Liu Yuk Ming, aged 48, was appointed as an executive Director on 8 May 2008. She is also a director of Artsun Macao, Rizhao Yushun, Global Property, Art Rich and Alush Thailand, each a subsidiary of the Company. She joined the Group in 1992 and is currently the deputy general manager of the Group. She is responsible for formulating the marketing strategies and daily operations of the Group. She has over 15 years of experience in logistics management and import and export of cassava. Over the 15 years with the Group, Ms. Liu has been responsible for, among others, overseeing the operation of charter vessels, developing ship chartering networks and supervising the sales and marketing team of the Group. Prior to joining the Group, Ms. Liu has worked in certain trading and shipping companies and as an export executive in the Hong Kong office of a multinational trading group. Ms. Liu is currently a council member of the Shandong Overseas Friendship Association. In the three years preceding the Latest Practicable Date, Ms. Liu did not hold any directorship in listed public companies or any other major appointments.

Mr. Chu Ming Kin, aged 44, was appointed as an executive Director on 2 July 2008. He is also a director of All High, Global Property and Alush Thailand, each a subsidiary of the Company, and the Thailand-based officer of the Group in Thailand. Mr. MK Chu joined the Group in 1999 and is currently responsible for the overall monitoring of daily operation of Alush Thailand, procurement of cassava and formulating pricing policies for procurement of cassava chips in Thailand. Mr. MK Chu has over nine years of experience in cassava procurement and warehouse management. In the three years preceding the Latest Practicable Date, Mr. MK Chu did not hold any directorship in listed public companies or any major appointments. He is the younger brother of Mr. Chu and Ms. Chu Ling Ling Miranda.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chan Yuk Tong (“**Mr. Chan**”), aged 46, was appointed as an executive Director on 2 July 2008. Mr. Chan joined the Group in 2007 and is responsible for overall planning, implementing of the business strategies and overseeing the accounting and compliance issue of the Group. He has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Mr. Chan obtained a bachelor degree in Commerce from the University of Newcastle in Australia and a master degree of Business Administration from the Chinese University of Hong Kong. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Save as disclosed below, in the three years preceding the Latest Practicable Date, Mr. Chan did not hold any directorship in other listed public companies or any major appointments.

Mr. Chan’s current directorship in other listed public companies:

<b>Name of listed companies in Hong Kong</b>	<b>Nature of directorship</b>
Vitop Bioenergy Holdings Limited	non-executive
BYD Electronic (International) Company Limited	independent non-executive
Daisho Microline Holdings Limited	independent non-executive
Sichuan Xinhua Winshare Chainstore Co., Limited	independent non-executive
Global Sweeteners Holdings Limited	independent non-executive
Jia Sheng Holdings Limited (formerly known as Carico Holdings Limited)	independent non-executive
Kam Hing International Holdings Limited	independent non-executive

<b>Name of listed companies in Hong Kong and Shanghai</b>	<b>Nature of directorship</b>
Anhui Conch Cement Company Limited	independent non-executive

Mr. Chan’s past directorship in other listed public company:

<b>Name of listed company in Hong Kong</b>	<b>Nature of directorship</b>	<b>Duration</b>
China Pipe Group Limited (formerly known as World Trade Bun Kee Ltd.)	independent non-executive	1 January 2007 to 3 July 2007

Ms. Lam Ching Fun (“**Ms. Lam**”), aged 42, was appointed as an executive Director on 2 July 2008. She joined the Group in 1992 and is currently the general manager of the Group’s chartering and logistics department. She is responsible for logistic systems, charter business management, cargohandling arrangement and the Sino-Thai ports coordination. Ms. Lam has over 15 years of experience in logistics operations in the cassava industry. Over the 15 years with the Group, Ms. Lam’s responsibilities included overseeing the Group’s logistics system and managing the chartering of vessels. In the three years preceding the Latest Practicable Date, Ms. Lam did not hold any directorship in listed public companies or any major appointments.

**Independent non-executive Directors**

Mr. Yue Man Yiu Matthew (“**Mr. Yue**”), aged 47, was appointed as an independent non-executive Director on 22 January 2009. He holds a Bachelor’s degree in business administration from The Chinese University of Hong Kong. Mr. Yue is a fellow member of Association of Chartered Certified Accountants, fellow member of Hong Kong Institute of Certified Public Accountants and member of Hong Kong Securities Institute. Mr. Yue has over 20 years of experience in the financial industry. Presently, Mr. Yue is the chief financial officer of China-Link Capital Management Ltd. and an independent non-executive director of China Financial Leasing Group Ltd., a company listed on the Stock Exchange. Save as disclosed, in the three years preceding the Latest Practicable Date, Mr. Yue did not hold any directorship in other listed public companies or any major appointments.

Professor Fung Kwok Pui (“**Professor Fung**”), aged 57, was appointed as an independent non-executive Director on 22 January 2009. He is currently the Professor of Biochemistry, Chairman of the Department of Biochemistry (Faculty of Medicine) and Head of the United College at the Chinese University of Hong Kong. He is also the director of CUCAMed Company Limited (中大中醫藥科技有限公司), a subsidiary of the Chinese University of Hong Kong Foundation Limited and a member of the management board of The Hong Kong Institute of Biotechnology Limited (香港生物科技研究院有限公司), a company wholly controlled by the Council of the Chinese University of Hong Kong. Professor Fung graduated from the Chinese University of Hong Kong in 1973, majoring in Chemistry, and obtained his master degree in Biochemistry in 1975. He later obtained his doctorate degree in Microbiology from the University of Hong Kong in 1978, and has been conducting clinical biochemical research at University of Toronto, Canada for many years.

Professor Fung was a member of the Chinese Medicines Board of the Chinese Medicine Council of Hong Kong from 1999 to 2002, and a member of the Biology and Medicine Panel of the Research Grants Council from 1996 to 2001. He has also been the Hong Kong representative of the Society of Chinese Bioscientists in America for many years, and was presented Distinguished Service Award in 1999. In the three years preceding the Latest Practicable Date, Professor Fung did not hold any directorship in listed public companies or any other major appointments. The Directors and Sponsor are of the view that Professor Fung possesses the relevant academic experience related to the Group’s business operations.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lee Kwan Hung (“**Mr. Lee**”), aged 43, was appointed as an independent non-executive Director, on 22 January 2009. He is a partner of Woo, Kwan, Lee & Lo and the chief representative of Woo, Kwan, Lee & Lo’s Beijing Office. Mr. Lee received his degree of Bachelor of Laws and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997. Mr. Lee is currently a non-executive director of GST Holdings Limited and an independent non-executive director of the manager of GZI Real Estate Investment Trust, NetDragon Websoft Inc. and Embry Holdings Limited, the shares of these companies are listed on the Stock Exchange. Mr. Lee was also a non-executive director of Mirabell International Holdings Limited, which listing of its shares on the main board of the Stock Exchange had been withdrawn on 22 September 2008, from February 2000 to December 2008. Besides, Mr. Lee had been an independent non-executive director of Innomaxx Biotechnology Group Limited (now known as China Mining Resources Group Limited), a company listed on the Stock Exchange. Mr. Lee was also a member of Advisory Committee for School of Professional Education and Executive Development of the Hong Kong Polytechnic University and a founding member of the Hong Kong Professionals and Senior Executives Association. Save as disclosed, in the three years preceding the Latest Practicable Date, Mr. Lee did not hold any directorship in other listed public companies or any major appointments.

There are no other matters or information relating to the above Directors that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### SENIOR MANAGEMENT

Ms. Ng Nai Nar, aged 45, is the head of administration and human resources of the Group and is responsible for the administration and human resources functions of the Group. She has completed DBA (工商管理博士) course at the Shenzhen Research Institution of the Remin University of China (中國人民大學深圳研究院). She also obtained a Master degree in Business Administration and a Bachelor Degree of Science in Applied Computing from the Open University of Hong Kong, Diploma and Higher certificate in Electronic Engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mrs. Chu joined the Group in 1985 and has years of private enterprise operation experience. She is the spouse of Mr. Chu.

Mr. Shum Shing Kei (“**Mr. Shum**”), aged 37, is the chief financial officer of the Company. He joined the Group in June 2008 and is responsible for the corporate finance function of the Group and oversees matter related to financial administration of the Group. Mr. Shum obtained a master degree in financial management from the University of London, the United Kingdom in 1998 and a Bachelor (Hon) degree in accountancy from Hong Kong Polytechnics in 1993. Prior to joining to the Group, Mr. Shum has over 12 years’ working experience in auditing, accounting and financial management. Mr. Shum had worked for China Data Broadcasting Holdings Limited as qualified accountant and company secretary, the shares of which are listed on the Growth Enterprise Market (the “GEM”) operated by the Stock Exchange, and an international accounting firm. Mr. Shum is a member of Hong Kong Institute of Certified Public Accountants.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chan Chi Wai, Benny (“**Mr. Benny Chan**”), aged 38, is the group financial controller and company secretary of the Company. He joined the Group in February 2008 and is responsible for the corporate finance function of the Group and oversees matter related to financial administration and the compliance and reporting obligations of the Group. Mr. Benny Chan obtained a Bachelor of Business (Accountancy) in Queensland University of Technology. Mr. Benny Chan has over 10 years’ experience in auditing, accounting and financial management. Prior to joining the Group, Mr. Benny Chan has worked for subsidiaries of Junefield Department Store Group Limited and Roadshow Holdings Limited, the shares of which are listed on the Stock Exchange, and for Shanghai Qingpu Fire-Fighting Equipment Co., Ltd., the shares of which are listed on the Growth Enterprise Market operated by the Stock Exchange, as accounting manager, deputy general manager, assistant financial controller, company secretary and qualified accountant respectively. Mr. Benny Chan has been admitted to the status of certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) since 1999.

Ms. Chu Ling Ling, Miranda (“**Ms. Chu**”), aged 56, is a deputy financial controller and is responsible for overall monitoring the accounting department of the Group. She joined the Group in 1997 and has worked for over 10 years in the accounting and financial management division of the Group. Ms. Chu is the elder sister of Mr. Chu and Mr. MK Chu.

Mr. Wong Hoi Pang (“**Mr. Wong**”), aged 29, is the deputy group financial controller of the Company. Mr. Wong joined the Group in April 2008 and is responsible for the Group’s financial reporting and monitoring of the accounting internal controls. Prior to joining the Group, Mr. Wong has over 6 years’ experience in accounting, auditing and financial management. Mr. Wong is a member of the Association of Chartered Certified Accountants.

Mr. Wang Dong Dai (“**Mr. Wang**”), aged 45, is the general manager of Rizhao Yushun, a subsidiary of the Company. Mr. Wang joined the Group in 2001 and is responsible for monitoring the daily management of Rizhao Yushun and supervising the daily operation and coordination of the business of the Group in Mainland China. Prior to this, he had engaged in the financial and business management sectors for about eight years. Mr. Wang graduated from the Shandong University with major in Law.

Ms. Jiang Ting (“**Ms. Jiang**”), aged 39, is the deputy general manager of Rizhao Yushun, a subsidiary of the Company. She joined Jinan Yaxin Real Estate Development Co. Ltd. (濟南雅新房地產開發有限公司) in 2003 and provided marketing services to the Group pursuant to the compositive services agreement made between Jinan Yaxin Real Estate Development Co. Ltd. (濟南雅新房地產開發有限公司) and Rizhao Yushun for a term of one financial year ended 31 March 2008. As part of the Reorganisation, she was employed by the Group in 2008 and is responsible for the analysis of cassava market information and customer relationship of the Group in the PRC. Ms. Jiang has over 5 years’ experience in marketing. Ms. Jiang graduated from Weifang Vocational College (濰坊職業大學) with major in international trading.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Somchai Ngamkasemsuk (“**Mr. Ngamkasemsuk**”), aged 52, is the assistant general manager of Alush Thailand, a subsidiary of the Company. Mr. Ngamkasemsuk joined the Group in 2004 and is responsible for the warehouse management and quality control and analysis in respect of cassava market in Thailand. Prior to this, he had worked in the cassava industry in Thailand and was responsible for cassava procurement, quality control and storage management in Thailand. Mr. Ngamkasemsuk obtained a bachelor degree in Business Administration from Assumption Business Administration College.

### COMPANY SECRETARY

Mr. Benny Chan, is the company secretary of the Company. Please refer to the paragraph headed “Senior management” for the details of Mr. Benny Chan.

### STAFF

#### Overview of number of staff

The Group has 68 staff as at the Latest Practicable Date, with 18 in the PRC, 20 in Hong Kong, 2 in Macau and 28 in Thailand. A breakdown of its workforce by function is as follows:

	PRC	Hong Kong	Macau	Thailand	As at the Latest Practicable Date Total
Management	2	4	–	2	8
Finance	3	8	–	3	14
Human resources and support	–	3	–	3	6
Sales and marketing	12	3	2	–	17
Procurement and quality control	–	–	–	20	20
Logistics	1	2	–	–	3
	<u>18</u>	<u>20</u>	<u>2</u>	<u>28</u>	<u>68</u>
Total	<u>18</u>	<u>20</u>	<u>2</u>	<u>28</u>	<u>68</u>

#### Relationship with staff

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

## **STAFF BENEFIT**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the MPF Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group makes contributions to the following staff related plans and funds in accordance with the local regulations of the PRC, namely, elderly insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. Having regard to the confirmations issued by the government offices where the Group’s operations are located, the Directors confirm that the Group is in compliance with the applicable laws and regulations.

The employees of the Group’s subsidiary which operates in Macau is required to participate in a central pension scheme operated by the Macau government. The Group’s subsidiary which operates in Macau is required to contribute a fixed amount of its payroll costs to the central pension scheme.

The employees of the Group’s subsidiary which operates in Thailand are required to participate in a social security fund operated by the Office of Social Security Fund. The Group’s subsidiary which operates in Thailand is required to contribute a fixed percentage of its payroll costs to the social security fund. As advised by the Company’s Thai legal advisers, Alush Thailand and Global Property have not been in violation of the relevant laws on social security for their own employees.

## **AUDIT COMMITTEE**

The Company established an audit committee on 18 February 2009 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members, namely Mr. Lee Kwan Hung, Mr. Yue Man Yiu Matthew and Professor Fung Kwok Pui, all being independent non-executive Directors. Mr. Yue Man Yiu Matthew is the chairman of the audit committee.

## **REMUNERATION COMMITTEE**

The Company established a remuneration committee on 18 February 2009 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group’s policy and structure for all remuneration of the Directors and senior management. The remuneration committee has three members, namely Mr. Lee Kwan Hung, Mr. Yue Man Yiu Matthew and Professor Fung Kwok Pui, all being independent non-executive Directors. Mr. Lee Kwan Hung is the chairman of the remuneration committee.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### NOMINATION COMMITTEE

The Company established a nomination committee on 18 February 2009 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The nomination committee has three members, namely Mr. Lee Kwan Hung, Mr. Yue Man Yiu Matthew and Professor Fung Kwok Pui. Professor Fung Kwok Pui is the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for Directors.

### DIRECTORS' REMUNERATION

The Directors received remuneration in the form of basic salaries, discretionary bonus and contribution to the pension scheme made by the Group during the Track Record Period. The aggregate remunerations paid to the Directors for each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008 were approximately HK\$2.0 million, HK\$2.1 million, HK\$1.5 million and HK\$0.7 million respectively. Each of the executive Directors has entered into a service contract with the Company, further details of which are set out in the paragraph headed "Further information about directors, management and staff" in Appendix V to this prospectus.

### SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 18 February 2009 which, in the opinion of the Directors, will enable the Group to recruit and retain high-calibre employees and to improve employee loyalty. The principal terms of this scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

### COMPLIANCE ADVISER

The Company will appoint Taifook Capital, in accordance with Rule 3A.19 of the Listing Rules, as its compliance adviser for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

### OTHERS INVESTMENTS OF MR. CHU

Save for Mr. Chu's interests in the Group, he has other non-cassava related business investments, details of which are as follows:

As confirmed by Mr. Chu, there were 3 PRC companies, including 濟南雅元紡織廠有限公司, 山東魯禾飼料有限公司 and 北京星儀雅禾化學纖維有限公司, have their business licences revoked when he was a director thereof. It is also confirmed by Mr. Chu and Ms. Liu that they are the directors of one U.S. company, namely Premium Cotton Limited, whose business is now suspended.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

As confirmed by Mr. Chu, he set up 濟南雅元紡織廠有限公司 with an intention of starting up a garment manufacturing business in the PRC. However, as Mr. Chu's investing partner failed to inject the required capital into such company, the company was left dormant and no annual inspection was participated.

As for 山東魯禾飼料有限公司, a company principally engaged in the animal feeds business, Mr. Chu was merely a passive investor without involving in the management of the respective business operations and a minority shareholder. He was not aware of such company failing to participate in the annual inspection until recently when relevant company searches were performed.

As for 北京星儀雅禾化學纖維有限公司, a company principally engaged in the chemical fibre business, Mr. Chu was merely a passive partner and a minority shareholder. He was not involved in the affairs of the company and was not aware of such company failing to renew the business license until recently when relevant company searches were performed.

As advised by the PRC legal advisers, the failure to participate in annual inspection by and the revocation of the business licences of 濟南雅元紡織廠有限公司, 山東魯禾飼料有限公司 and 北京星儀雅禾化學纖維有限公司 will not result in any potential personal liability to Mr. Chu in his capacity as a director of the aforementioned companies under the laws of PRC.

Mr. Chu and Ms. Liu set up Premium Cotton with an intention to pursue cotton trading business in the United States. They are directors as well as shareholders of Premium Cotton, which has never commenced business. Therefore no further tax return was filed by Premium Cotton since 2005.

The companies mentioned above were either not under the active management of Mr. Chu and Mrs. Liu or are dormant for business purpose.

Also, as confirmed by Mr. MK Chu, there was one company, namely Build Top International Limited ("**Build Top**"), had been deregistered by the Registrar of Companies pursuant to section 291(6) of the Companies Ordinance (CAP.32 of the Laws of Hong Kong) when he was a director thereof.

It is confirmed by Mr. MK Chu, it was a voluntary deregistration on the part of Build Top by way of submitting a confirmatory letter as to the fact that Build Top was no longer carrying on business or in operation to the Companies Registry in or around 1998, and to the best of his knowledge, information and belief and having made all reasonable enquiries, there is no outstanding liability against him regarding the said deregistration.

## PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

### DISCLOSURE OF INTERESTS UNDER THE SFO

#### (i) Interests and short position of Directors in the share capital of the Company after the Share Offer and the Capitalisation Issue

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of Shares which may be taken up under the Share Offer and the exercise of the Over-allotment Option), the Directors will have the following interests and short position in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed:

#### (i) *The Company*

##### (a) Interests in Shares

Name of Directors	Number of Shares held	Nature of interest	Approximate percentage of shareholding
Mr. Chu ( <i>Note 1</i> )	225,000,000 (L)	Interest in controlled corporation	75%

(L) *denotes long position*

*Note:*

1. The entire issued share capital of AR Management is legally and beneficially owned by Mr. Chu as to 97% and Mrs. Chu as to 3%. By virtue of the SFO, Mr. Chu is deemed to be interested in the 225,000,000 Shares held by AR Management.

<b>PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO</b>
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(ii) *Associated corporations*

Name of associated corporation	Name of Directors	Capacity	Number of shares in the associated corporation	Approximate percentage of shareholding in the associated corporation
AR Management (Note)	Mr. Chu	Beneficial interests	970	97%
		Deemed Interest	30	3%

*Notes:* AR Management is a holding company of the Company and is owned as to 97% by Mr. Chu and 3% by Mrs. Chu. Mr. Chu is also deemed to be interested in the shares of AR Management held by Mrs. Chu.

**(ii) Interests and short position of Substantial Shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as the Directors are aware, immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account Shares which may be taken up under the Share Offer or Shares which fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons/entities (not being a Director or chief executive of the Company) will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of part XV of the SFO, or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Name of Shareholders	Nature of interest	Total number of Shares or underlying Shares	Approximate percentage or attributable percentage of shareholdings
Mrs. Chu (Note)	Deemed interests	225,000,000(L)	75%
AR Management (Note)	Beneficial owner	225,000,000(L)	75%

(L) *denotes long position*

*Note:* The entire issued share capital of AR Management is legally and beneficially owned by Mr. Chu as to 97% and Mrs. Chu as to 3%. Mr. Chu is deemed interested in the Shares owned by AR Management. As spouse, Mrs. Chu is deemed to be interested in the shares held by Mr. Chu.

**RESTRICTIONS ON DISPOSAL OF SHARES**

Each of Mr. Chu and AR Management has jointly and severally undertaken to the Stock Exchange, the Company, Taifook Capital and Taifook Securities (for itself and on behalf of the Underwriters) that they shall not and shall procure that the relevant registered holder(s) (as the case may be) of the Shares shall not (except pursuant to or in connection with the Stock Borrowing Agreement):

- (a) in the period commencing on the date by reference to which disclosure of the shareholding (direct or indirect) of each of Mr. Chu and AR Management is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which each of them is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights interests or encumbrances, either Mr. Chu or AR Management or together would cease to be the Controlling Shareholder.

Each of Mr. Chu and AR Management has jointly and severally further undertaken to the Stock Exchange, the Company and Taifook Capital and Taifook Securities (for itself and on behalf of the Underwriters) that within the period commencing on the date by reference to which disclosure of the shareholding (direct or indirect) of each of Mr. Chu and AR Management is made in this prospectus and ending on the date which is 12 months from the Listing Date, they shall:

- (a) when they pledge or charge any Shares beneficially owned by them (whether directly or indirectly), in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company in writing of such indications.

## SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

HK\$

*Authorised:*

2,000,000,000	Shares	200,000,000
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*Issued and to be issued, fully paid or credited as fully paid:*

100,000,000	Shares in issue	10,000,000
125,000,000	Shares to be issued under the Capitalisation Issue	12,500,000
75,000,000	Shares to be issued under the Share Offer	7,500,000
300,000,000	Shares	30,000,000

### Assumptions

This table assumes the Share Offer and the Capitalisation Issue have become unconditional and the issue of Shares pursuant thereto is made as described herein.

It takes no account of any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

### Ranking

The Offer Shares and the Shares which may be issued under the Over-allotment Option, upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

### Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

## SHARE CAPITAL

### **General mandate to issue Shares**

Conditional on the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- i. 20% of the aggregate amount of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding Shares that may be issued under the Over-allotment Option; and
- ii. the aggregate nominal amount of the Shares repurchased by the Company (if any) pursuant to the repurchase mandate (as referred to below).

The allotment and issue of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by the Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the exercise of the Over-allotment Option or options granted under the Share Option Scheme do not generally require the approval of shareholders of the Company in general meeting and the aggregate nominal amount of Shares which the Directors are authorised to allot and issue pursuant to this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire:

- at the end of the Company’s next annual general meeting;
- at the end of the period within which the Company is required by law or the Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed “Written resolutions of the sole Shareholder” in the section headed “Further information about the Company and its subsidiaries” in Appendix V to this prospectus.

### **General mandate to repurchase Shares**

Conditional on the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding Shares that may be issued under the Over-allotment Option or exercise of any options which may be granted under the Share Option Scheme.

## SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Repurchase by the Company of its own securities” in the section headed “Further information about the Company and its subsidiaries” in Appendix V to this prospectus.

This mandate will expire:

- at the end of the Company’s next annual general meeting;
- at the end of the period within which the Company is required by law or the Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed “Written resolutions of the sole Shareholder” in the section headed “Further information about the Company and its subsidiaries” in Appendix V to this prospectus.

## FINANCIAL INFORMATION

### TRADING RECORD

The following table is a summary of the combined results of the Group for each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, prepared on the basis that the current structure of the Group was in existence throughout the period under review. The summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Year ended 31 March			Five months ended 31 August	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
				(unaudited)	
REVENUE	740,850	818,303	903,560	273,724	334,507
Cost of sales	<u>(573,484)</u>	<u>(619,839)</u>	<u>(665,159)</u>	<u>(205,971)</u>	<u>(260,442)</u>
Gross profit	167,366	198,464	238,401	67,753	74,065
Other income and gains	3,063	10,907	25,109	19,770	716
Fair value gain/(loss) on investment properties	1,060	3,351	9,070	600	(8,749)
Deficit on revaluation of property, plant and equipment	-	-	-	-	(459)
Selling and distribution costs	(118,140)	(138,782)	(124,529)	(42,754)	(45,960)
Administrative expenses	(12,842)	(14,791)	(16,993)	(5,378)	(6,216)
Finance costs	<u>(15,218)</u>	<u>(15,004)</u>	<u>(14,984)</u>	<u>(5,660)</u>	<u>(6,125)</u>
PROFIT BEFORE TAX	25,289	44,145	116,074	34,331	7,272
Tax	<u>(10,008)</u>	<u>(10,075)</u>	<u>(14,215)</u>	<u>(6,604)</u>	<u>(2,456)</u>
PROFIT FOR THE YEAR/PERIOD	<u>15,281</u>	<u>34,070</u>	<u>101,859</u>	<u>27,727</u>	<u>4,816</u>
DIVIDENDS	<u>-</u>	<u>22,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
- Basic (HK cents)	<u>6.79</u>	<u>15.14</u>	<u>45.27</u>	<u>12.32</u>	<u>2.14</u>
- Diluted (HK cents)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## **CRITICAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the Group's combined financial statements are in accordance with accounting principles generally accepted in Hong Kong and conform with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations. A summary of the principal accounting policies used in the preparation of the Group's combined financial statements is set forth in the accountants' report set out in Appendix I to this prospectus. The Group's reported financial performance and financial conditions are sensitive to accounting policies, judgements, estimates and assumptions that underlie the preparation of the combined financial statements. In reporting the Group's financial performance and conditions, the Directors are required to exercise their judgements, estimates and assumptions based on their experience, their knowledge of other companies in the industry and on other assumptions that they consider reasonable. The Directors believe that the following critical accounting policies involved the most significant judgements, estimates and assumptions used in the preparation of the Group's financial statements.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) management fee income, when the services have been rendered;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

## FINANCIAL INFORMATION

### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## FINANCIAL INFORMATION

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### Foreign currencies

The Group's financial statements are presented in Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

## FINANCIAL INFORMATION

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

### MANAGEMENT DISCUSSION AND ANALYSIS

Investors should read the following management discussion and analysis in conjunction with the combined audited financial statements of the Group for the Track Record Period, all of which is set forth in the accountants' report set out in Appendix I to this prospectus (the "Financial Information"). Except for the Financial Information, the remainder of the Group's financial information presented herein has been extracted or derived from other financial records of the Group which the Directors have taken a reasonable amount of care to prepare. Investors should read the whole of the accountant's report and not rely merely on the financial synopsis contained in this section.

#### Overview of major income statement items of the Group

##### *Revenue*

Revenue of the Group represents the sales of dried cassava chips to external customers in the PRC. Sales can be divided into two categories:

- (i) sales from warehouses, where dried cassava chips procured from farmers, processors and traders will first be stored at the Group's leased warehouses in Thailand before the Group arranges for shipment to different customers; and
- (ii) direct sales, where, either before or after the receipt of a purchase order, the Group will enter into a sourcing contract with one of its suppliers for dried cassava chips and the products will be shipped to the designated port of delivery to the Group's customers without being stored in the Group's leased warehouses in Thailand.

## FINANCIAL INFORMATION

The following table sets out the analysis of the revenue of the Group during the Track Record Period for analysis purpose:

(i) By average unit selling price:

	Year ended 31 March						Five months ended 31 August			
	2006		2007		2008		2007		2008	
	Average unit selling price	Gross profit margin	Average unit selling price	Gross profit margin	Average unit selling price	Gross profit margin	Average unit selling price	Gross profit margin	Average unit selling price	Gross profit margin
	(HK\$ per tonne)	%	(HK\$ per tonne)	%	(HK\$ per tonne)	%	(HK\$ per tonne)	%	(HK\$ per tonne)	%
Sales from warehouses	978	26.0	1,009	26.2	1,380	27.8	1,119	26.3	1,679	27.7
Direct sales	973	14.0	1,006	15.1	1,283	22.1	1,138	22.9	1,696	14.6
	<u>976</u>	<u>22.6</u>	<u>1,008</u>	<u>24.3</u>	<u>1,355</u>	<u>26.4</u>	<u>1,128</u>	<u>24.8</u>	<u>1,686</u>	<u>22.1</u>

The increase in the average unit selling price of dried cassava chips during the Track Record Period was in line with the increase of the average F.O.B. price of cassava chips in Thailand in the respective years or periods.

The average unit selling price of the Group's sales from warehouse in the financial year 2007 increased by approximately HK\$31 per tonne, or 3.2%, to approximately HK\$1,009 per tonne from approximately HK\$978 per tonne in the financial year 2006. The average unit selling price in the financial year 2008 increased by approximately HK\$371 per tonne, or 36.8%, to approximately HK\$1,380 per tonne from approximately HK\$1,009 per tonne in the financial year 2007. The average unit selling price of the Group's sales from warehouse in the five months ended 31 August 2008 increased by approximately HK\$560 per tonne, or 50.0% to approximately HK\$1,679 per tonne from approximately HK\$1,119 per tonne in the five months ended 31 August 2007.

The average unit selling price of the Group's direct sales in the financial year 2007 increased by approximately HK\$33 per tonne, or 3.4%, to approximately HK\$1,006 per tonne from approximately HK\$973 per tonne in the financial year 2006. The average unit selling price in the financial year 2008 increased by approximately HK\$277 per tonne, or 27.5%, to approximately HK\$1,283 per tonne from approximately HK\$1,006 per tonne in the year 2007. The average unit selling price of the Group's direct sales in the five months ended 31 August 2008 increased by approximately HK\$558 per tonne, or 49.0% to approximately HK\$1,696 per tonne from approximately HK\$1,138 per tonne in the five months ended 31 August 2007.

## FINANCIAL INFORMATION

(ii) By sales volume:

	Year ended 31 March						Five months ended 31 August			
	2006		2007		2008		2007		2008	
	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)
Sales from warehouse	542,637	71.5	667,442	82.2	490,553	73.5	132,517	54.6	114,397	57.7
Direct sales	<u>216,137</u>	<u>28.5</u>	<u>144,172</u>	<u>17.8</u>	<u>176,507</u>	<u>26.5</u>	<u>110,247</u>	<u>45.4</u>	<u>83,983</u>	<u>42.3</u>
Total	<u>758,774</u>	<u>100.0</u>	<u>811,614</u>	<u>100.0</u>	<u>667,060</u>	<u>100.0</u>	<u>242,764</u>	<u>100.0</u>	<u>198,380</u>	<u>100.0</u>

The total quantity of dried cassava chips sold in the financial year 2007 amounted to approximately 811,614 tonnes, representing an increase of approximately 52,840 tonnes, or 7.0%, when compared with that of approximately 758,774 tonnes in the financial year 2006. In order to enhance the overall gross profit margin, the Group focused on the sales from warehouse which generated a higher gross profit margin of approximately 26.2% than direct sales with average gross profit margin of approximately 15.1% in the financial year 2007. As the sales from warehouse generally has a longer cash conversion cycle and requires a higher amount of working capital, the Group's total sales quantity in the financial year 2007 increased only by approximately 7.0%.

The total quantity of dried cassava chips sold in the financial year 2008 amounted to approximately 667,060 tonnes, representing a decrease of approximately 144,554 tonnes, or 17.8%, when compared with that of approximately 811,614 tonnes in the financial year 2007. Based on the information from the newsletters of TTTA, the total export of dried cassava chips from Thailand decreased by approximately 57.0% from approximately 4.49 million tonnes for the 12 months period ended 31 March 2007 to approximately 1.93 million tonnes for the 12 months period ended 31 March 2008. Such decrease was mainly because of the supply of dried cassava chips from Thailand squeezed by the sudden surge in demand of cassava hard pellets in Europe. This resulted in a surge in the cost and selling prices of dried cassava chips as well as a drop in exports of dried cassava chips from Thailand to the PRC. Accordingly, for the financial year 2008, having considered the significant increase in both the costs and selling prices of dried cassava chips, the Group has engaged in more direct sales which generally requires less working capital in order to mitigate the market risks from holding excessive inventories.

The total quantity of dried cassava chips sold in the five months ended 31 August 2008 amounted to approximately 198,380 tonnes, representing a decrease of approximately 44,384 tonnes or 18.3% when compared with that of approximately 242,764 tonnes in the five months ended 31 August 2007. Based on the information from the newsletters of TTTA, the total export of cassava chips from Thailand to the PRC decreased by approximately 54.7% from approximately 1,110,234 tonnes for the five months ended 31 August 2007 to approximately 502,522 tonnes for the five

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months ended 31 August 2008. Such decrease was mainly because the supply of dried cassava chips from Thailand during the five months ended 31 August 2008 was squeezed by the surge in demand of cassava hard pellets in Europe during the previous harvest season.

The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips from Thailand with market share of approximately 25.8%, 20.6% and 23.4%, based on the information of the total quantity of cassava chips exported from Thailand to the PRC as set out in the TTTA's annual reports and the total quantity of cassava chips sold by the Group to the PRC market during the three years from 2005 to 2007.

(iii) By types of sales:

The total revenue of the Group is the combination effects of the selling price and the sales volume for the Track Record Period.

	2006		Year ended 31 March				Five months ended 31 August			
	HK\$'000	%	2007		2008		2007		2008	
			HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales from warehouse	530,567	71.6	673,223	82.3	677,160	74.9	148,285	54.2	192,078	57.4
Direct sales	210,283	28.4	145,080	17.7	226,400	25.1	125,439	45.8	142,429	42.6
<b>Total</b>	<b>740,850</b>	<b>100.0</b>	<b>818,303</b>	<b>100.0</b>	<b>903,560</b>	<b>100.0</b>	<b>273,724</b>	<b>100.0</b>	<b>334,507</b>	<b>100.0</b>

### *Cost of sales*

The following table sets out the breakdown of cost of sales for the Track Record Period.

	2006		Year ended 31 March				Five months ended 31 August			
	HK\$'000	%	2007		2008		2007		2008	
			HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales from warehouse	392,553	68.5	496,617	80.1	488,693	73.5	109,228	53.0	138,824	53.3
Direct sales	180,931	31.5	123,222	19.9	176,466	26.5	96,743	47.0	121,618	46.7
<b>Total</b>	<b>573,484</b>	<b>100.0</b>	<b>619,839</b>	<b>100.0</b>	<b>665,159</b>	<b>100.0</b>	<b>205,971</b>	<b>100.0</b>	<b>260,442</b>	<b>100.0</b>

### *Gross profit and gross profit margin*

The following table sets out the breakdown of gross profit for different type of sales for the Track Record Period.

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	Year ended 31 March									Five months ended 31 August					
	2006			2007			2008			2007		2008			
	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin
	HK\$'000	%		HK\$'000	%		HK\$'000	%		HK\$'000	%		HK\$'000	%	
Sales from warehouse	978	138,014	26.0	1,009	176,606	26.2	1,380	188,467	27.8	1,119	39,057	26.3	1,679	53,254	27.7
Direct sales	973	29,352	14.0	1,006	21,858	15.1	1,283	49,934	22.1	1,138	28,696	22.9	1,696	20,811	14.6
<b>Total</b>	<b>976</b>	<b>167,366</b>	<b>22.6</b>	<b>1,008</b>	<b>198,464</b>	<b>24.3</b>	<b>1,355</b>	<b>238,401</b>	<b>26.4</b>	<b>1,128</b>	<b>67,753</b>	<b>24.8</b>	<b>1,686</b>	<b>74,065</b>	<b>22.1</b>

The overall gross profit margin of the Group was the combination effect of the different sales mix between sales from warehouse and direct sales, which had different gross profit margin during the relevant Track Record Period.

### *Gross profit margin*

The purchase cost of dried cassava chips in relation to the direct sales was generally higher than that of dried cassava chips purchased for sales from warehouses. Accordingly, the gross profit margin of direct sales was generally lower than that of the sales from warehouse.

The gross profit margin of the Group's sales from warehouse remained relatively stable for the financial years 2006 and 2007 at approximately 26.0% and 26.2% respectively. The approximately 1.6 percentage point increase in the Group's gross profit margin in respect of sales from warehouses from approximately 26.2% in the financial year 2007 to approximately 27.8% in financial year 2008 was mainly due to the upward price trend of dried cassava chips in the market and the strategy adopted by the Group, being constantly engaged in holding dried cassava chips at warehouses in a rising price environment. The gross profit margin of the Group's sales from warehouse remained relatively stable for the five months ended 31 August 2007 and 2008 at approximately 26.3% and 27.7%. The approximately 1.4 percentage point increase in the Group's gross profit margin in respect of sales from warehouse was mainly due to the upward price trend of dried cassava chips in the market and the strategy adopted by the Group being engaged in holding dried cassava chips at warehouses in a rising price environment.

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The gross profit margin of the Group's direct sales remained relatively stable for the years 2006 and 2007 at approximately 14.0% and 15.1% respectively. The gross profit margin of the Group's direct sales for the year 2008 increased by approximately 7.0 percentage points to approximately 22.1% from 15.1% for the financial year 2007. This was mainly because the Group has selectively focused on direct sales transactions with higher margin in order to enhance profit in the circumstances of upward price trend of dried cassava chips in the market. The gross profit margin of the Group's direct sales for the five months ended 31 August 2008 decreased by approximately 8.3 percentage points to approximately 14.6% from approximately 22.9% for the five months ended 31 August 2007 as the traders made overall upward adjustments to their price level of dried cassava chips. Therefore, the Group's cost of sales for direct sales were increased, which resulted in a decrease in gross profit margin to approximately 14.6%.

Generally, the harvest season for cassava roots commences in November and ends in March. For the first half of the Group's financial year, i.e. from April to September, as less dried cassava chips are available from farmers or processors, the Group needs to procure more dried cassava chips from traders in Thailand or other southeast Asian countries to cope with the demand from customers. On the other hand, during the second half of the financial year, the Group prioritizes the sales from warehouse and generally less sales were made through direct sales as compared to the first half of the financial year. Direct sales has a lower gross profit margin than sales from warehouse. During each of the three financial years ended 31 March 2008, sales in the second half of the financial year accounted for approximately 47.6%, 56.4% and 56.5% of the Group's total sales revenue respectively. The Group recorded sales and gross profit of approximately HK\$334.5 million and HK\$74.1 million respectively for the five months ended 31 August 2008.

For the sales volume analyses, please refer to the paragraph headed "By sales volume" under the section headed "Overview of major income statement items of the Group".

### *Other income and gains*

It mainly comprises management fee income from a related company, bank interest income, interest income from a related company, gross rental income, dividend income from an unlisted available-for-sale investment, gains on disposal of prepaid land lease payments, gains on disposal of an unlisted available-for-sale investment and gain on disposal of investment properties.

### *Selling and distribution costs*

It mainly comprises (i) ocean freight costs for hiring and chartering of ocean vessels for transporting dried cassava chips to the PRC and (ii) warehouse, handling and inland transportation.

## FINANCIAL INFORMATION

### *Administrative expenses*

It mainly comprises salaries and wages, entertainment and traveling expenses, rental and building management fees and office expenses, bank charges and exchange losses.

### *Finance costs*

It mainly represents interest on the bank loans and overdrafts and interest in finance leases.

### *Taxation*

The Company was incorporated in the Cayman Island as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax. The Company's subsidiaries established in BVI are registered as BVI business companies under the BVI Business Companies Act and are exempted from payment of income tax of BVI.

The Company is essentially an investment holding company and the entire revenue of the Group during the Track Record Period were generated by the operating subsidiaries of the Company in Hong Kong, Macau, Thailand and the PRC.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Hong Kong profits tax has been provided at the applicable tax rate of the relevant year of assessment on the estimated assessable profits arising in Hong Kong during the Track Record Period. For the three financial years ended 31 March 2008 and the five months ended 31 August 2008, Hong Kong profits tax has been provided at the rate of 17.5% and 16.5% respectively on the estimated assessable profits arising in Hong Kong during respective assessable year/period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Members of Group in Thailand are subject to corporate income tax on its net profit up to 30%. Moreover, companies are required to withhold tax for certain payment at the time of payment to recipient, which is at various rates depending on the nature of payments. A company which has its income more than THB1.8 million (equivalent to approximately HK\$0.4 million) per year is required to register itself as value added tax ("VAT") operator, which then is required to collect VAT amount, currently at 7% from its sales and services rendered to customer and remit the same to the Revenue Department of Thailand. However, export of products from Thailand is subject to no VAT. Moreover, different rates of corporate income tax applies to a company with registered capital of not more than THB5 million (equivalent to approximately HK\$1.1 million) and net profit not more than THB3 million (equivalent to approximately HK\$0.7 million).

## FINANCIAL INFORMATION

According to Macau Tax Authorities, Artsun Macao has been duly registered under the Macau Laws for tax purposes and it is exempt from the payment of any profit taxes according to article 12, section 1. a) and b) of the Offshore Regulation and other applicable laws and regulations in Macau. In addition, the Company is not required to make any withholding or deduction for or on account of the declaration and payment of any dividend and/or other distributions (whether in cash or in kind) by it.

Currently, the Group's subsidiary in the PRC is subject to corporate income tax of 25% and value added tax of 13%. For the period from 1 April 2005 to 31 December 2007 and the period from 1 January 2008 to 31 August 2008, the PRC subsidiary was subject to corporate income tax at 33% and 25% respectively.

For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, the effective tax rates of the Group were 39.6%, 22.8%, 12.2% and 33.8% respectively. The reduction in the Group's effective tax rate in the year 2007 was primarily due to the non-taxable dividend income of approximately HK\$4.5 million and more profit earned by the Group's operations in Hong Kong in the year 2007, which had a lower tax rate of 17.5% when compared with the 30% tax rate in Thailand. The further reduction in the Group's effective tax rate in the year 2008 was due to more profit earned by the Group's operations in Hong Kong and the Group's subsidiary in Macau becoming operational and profitable in the year 2008, which had a lower tax rate of 17.5% for Hong Kong and Nil for Macau when compared with the 30% tax rate in Thailand. The increase in the Group's effective tax rate for the five months ended 31 August 2008 was primarily due to (i) the significant decrease in gross profit margin achieved by the Group through direct sales made in the five months ended 31 August 2008, thereby fewer profits were earned in Hong Kong and in Macau and (ii) more profits were earned by the Group's operation in Thailand. Tax losses due to the Group's operation in Thailand crystallised in prior year as deferred tax assets were utilised for the five months ended 31 August 2008.

### **Review of historical operating results**

*For the financial year ended 31 March 2006*

#### Revenue

During the financial year, the Group's revenue was approximately HK\$740.9 million.

#### Cost of sales

During the financial year, the Group's cost of sales was approximately HK\$573.5 million and consisted mainly of the cost of dried cassava chips sourced by the Group.

## FINANCIAL INFORMATION

### Gross profit

During the financial year, the Group recorded gross profit of approximately HK\$167.4 million, representing a gross profit margin of approximately 22.6%.

### Other income and gains

During the financial year, the Group recorded other income and gains of approximately HK\$3.1 million which comprised mainly management fee income of approximately HK\$1.8 million, and gross rental income of approximately HK\$0.7 million.

### Selling and distribution expenses

During the financial year, the Group recorded selling and distribution expenses of approximately HK\$118.1 million (representing an approximately 15.9% of the total sales of the year) which comprised mainly ocean freight costs of approximately HK\$89.1 million and warehouse, handling and inland transportation expenses of approximately HK\$29.0 million. The average ocean freight costs in the financial year 2006 were approximately HK\$117.4 per tonne.

### Administrative expenses

During the financial year, the Group recorded administrative expenses of approximately HK\$12.8 million which comprised mainly salaries and wages of approximately HK\$5.2 million, entertainment and overseas traveling expenses of approximately HK\$1.8 million, bank charges of approximately HK\$1.4 million, rental and building management fees and office expenses of approximately HK\$0.7 million, loss on disposal of investment properties of approximately 0.6 million and net exchange losses of approximately HK\$0.5 million.

### Finance cost

During the financial year, the Group recorded finance cost of approximately HK\$15.2 million.

### Taxation

During the financial year, the Group recorded a taxation charge of approximately HK\$10.0 million, representing an effective tax rate of approximately 39.6% as the result of the generation of a significant portion of the Group's assessable profit in Thailand which has an income tax rate of 30%.

### Profit for the year

During the financial year, the Group recorded profit for the year of approximately HK\$15.3 million, which included a fair value gain on investment properties of approximately HK\$1.1 million.

## FINANCIAL INFORMATION

*For the financial year ended 31 March 2007*

### Revenue

Revenue of the Group increased by approximately HK\$77.5 million or approximately 10.5%, from approximately HK\$740.9 million in the financial year 2006 to approximately HK\$818.3 million in the financial year 2007, mainly due to the increase in quantity of cassava chips sold by the Group from 758,774 tonnes in the financial year 2006 to approximately 811,614 tonnes in the financial year 2007 and the increase in average selling price from approximately HK\$976 per tonne in the financial year 2006 to approximately HK\$1,008 per tonne in the financial year 2007. The increase in the average selling price of dried cassava chips in the financial year 2007 was in line with the increasing trend of the average F.O.B. price of cassava chips in Thailand in the respective period.

### Cost of sales

Cost of sales of the Group, representing the cost of cassava, increased by approximately HK\$46.3 million or approximately 8.1%, from approximately HK\$573.5 million in the year financial 2006 to approximately HK\$619.8 million in the financial year 2007, mainly due to the increase in the overall sales volume and average unit cost of dried cassava chips.

### Gross profit

Gross profit of the Group increased by approximately HK\$31.1 million or approximately 18.6%, from approximately HK\$167.4 million in the financial year 2006 to approximately HK\$198.5 million in the financial year 2007, mainly due to the increase in the overall sales volumes and the average unit selling price of dried cassava chips.

### Other income and gains

During the financial year, other incomes of the Group were approximately HK\$10.9 million which comprised mainly dividend income from unlisted available-for-sale investment of approximately HK\$4.5 million, a gain on disposal of prepaid lease payments of approximately HK\$3.1 million, management fee income of approximately HK\$1.8 million, and gross rental income of approximately HK\$1.1 million.

### Selling and distribution expenses

During the financial year, the selling and distribution expenses of the Group were approximately HK\$138.8 million (representing about 17.0% of total revenue in the year 2007), which comprised mainly ocean freight costs of approximately HK\$109.9 million and warehouse, handling and inland transportation expenses of approximately HK\$28.9 million.

## FINANCIAL INFORMATION

Selling expenses of the Group increased by approximately HK\$20.6 million or approximately 17.5%, from approximately HK\$118.1 million in the financial year 2006 to approximately HK\$138.8 million in the financial year 2007, mainly due to the increase in the average ocean freight cost which was increased by 15.3% from approximately HK\$117.4 per tonne to approximately HK\$135.4 per tonne and the increase of sales volume.

### Administrative expenses

During the financial year, the administrative expenses of the Group were approximately HK\$14.8 million which comprised mainly salaries and wages of approximately HK\$5.0 million, net exchange losses of approximately HK\$3.9 million, entertainment and overseas traveling of approximately HK\$1.5 million, bank charges of approximately HK\$1.1 million and rental and building management fee and office expense of approximately HK\$0.8 million.

Administrative expenses of the Group increased by about HK\$2.0 million, or approximately 15.2%, from approximately HK\$12.8 million in the financial year 2006 to approximately HK\$14.8 million in the financial year 2007, mainly due to the increase of approximately HK\$3.4 million in the net exchange losses arising from the significant appreciation of THB against Hong Kong dollars in the financial year 2007 and a decrease of approximately HK\$0.3 million of the entertainment and overseas traveling expenses. In addition, there was a loss on disposal of investment properties of approximately HK\$0.6 million in the financial year 2006.

### Finance costs

Finance expenses of the Group decreased by approximately HK\$0.2 million, or approximately 1.4% from approximately HK\$15.2 million in financial year 2006 to approximately HK\$15.0 million in financial year 2007.

### Taxation

The Group's taxation charges increased by approximately 0.7% from about HK\$10.0 million for the financial year 2006 to about HK\$10.1 million for the financial year 2007 primarily because of the increase of profit generated during the year. The taxation charge for the year represented an effective tax rate of approximately 22.8% which was lower than the effective tax rate of approximately 39.6% for the financial year 2006. This reduction in the Group's effective tax rate was primarily due to the non-taxable dividend income of approximately HK\$4.5 million and more profit earned by the Group's operations in Hong Kong during the financial year 2007 which had a lower tax rate of 17.5% when compared with the 30% tax rate in Thailand. Also, the Group reviewed and revised the transfer prices charged by a group company in Thailand during the financial year 2007 with reference to the prevailing FOB prices charged by other exporters which are Independent Third Parties, resulting in a lower profit earned in Thailand and complied with the Revenue Code of Thailand and resulting in a higher profit in Hong Kong. As a result, the Group's effective tax rate for the year 2007 decreased to 22.8%. The Directors consider that the profits earned in the respective jurisdiction were appropriate.

## FINANCIAL INFORMATION

### Profit for the year

Profit for the year of the Group increased by approximately HK\$18.8 million, or approximately 123.0%, from approximately HK\$15.3 million in the financial year 2006 to approximately HK\$34.1 million in the financial year 2007. The increase in the profit for the year was mainly because (i) the Group's gross profit increased by approximately HK\$31.1 million in the financial year 2007, (ii) there was a fair value gain on investment properties of approximately HK\$3.4 million; there was a dividend income from an unlisted available-for-sale investment of approximately HK\$4.5 million during the financial year and there was a gain on disposal of prepaid land lease payments of approximately HK\$3.1 million.

*For the financial year ended 31 March 2008*

### Revenue

Revenue of the Group increased by approximately HK\$85.3 million, or approximately 10.4%, from approximately HK\$818.3 million in the financial year 2007 to approximately HK\$903.6 million in the financial year 2008, mainly due to the net effect of decrease in quantity of cassava chips sold from 811,614 tonnes in the financial year 2007 to 667,060 tonnes in the financial year 2008 and the increase in average selling price from HK\$1,008 per tonne in the financial year 2007 to HK\$1,355 per tonne in the financial year 2008. The increase in the average selling price of dried cassava chips in the financial year 2008 was in line with the increasing trend of the average F.O.B. price of cassava in Thailand in the respective period.

### Cost of sales

Cost of sales of the Group, representing the cost of cassava, increased by approximately HK\$45.4 million, or approximately 7.3%, from approximately HK\$619.8 million for the financial year 2007 to approximately HK\$665.2 million in the financial year 2008, mainly due to the increase in the average unit cost of dried cassava chips.

### Gross profit

Gross profit of the Group increased by approximately HK\$39.9 million, or approximately 20.1%, from approximately HK\$198.5 million for the financial year 2007 to approximately HK\$238.4 million for the financial year 2008, mainly due to the increase in the average unit selling price of dried cassava chips.

### Other income and gains

During the financial year, other incomes of the Group were approximately HK\$25.1 million which comprised mainly a gain on disposal of an available-for-sales investments of approximately HK\$16.2 million, interest income from a related company of approximately HK\$5 million, management fee income of approximately HK\$1.8 million and gross rental income of approximately HK\$1.3 million.

## FINANCIAL INFORMATION

### Selling and distribution expenses

During the financial year, the selling and distribution expenses of the Group were approximately HK\$124.5 million (representing a 13.8% of the total revenue in the financial year 2007) which comprised mainly ocean freight costs of approximately HK\$96.7 million and warehouse, handling and inland transportation of approximately HK\$27.8 million.

Selling expenses of the Group in financial year 2007 were approximately HK\$138.8 million representing a 17.0% of total sales. It decreased by approximately HK\$14.3 million or approximately 10.3%, from approximately HK\$138.8 million in the financial year 2007 to approximately HK\$124.5 million in the financial year 2008, mainly due to the decrease in the sales volume in the financial year 2008. The average ocean freight cost has increased by approximately 7.1% from approximately HK\$135.4 per tonne in the financial year 2007 to approximately HK\$145.0 per tonne in the financial year 2008.

### Administrative expenses

Administrative expenses of the Group increased by approximately HK\$2.2 million or approximately 14.9%, from approximately HK\$14.8 million in the financial year 2007 to approximately HK\$17.0 million in the financial year 2008, mainly due to the increase in the auditors' remuneration of approximately HK\$0.9 million, salaries and wages of approximately HK\$0.6 million, and rental, building management fees and office expenses of approximately HK\$0.7 million. In addition, there was a management fee paid to a related company of approximately HK\$0.7 million. During the financial year 2008, the remuneration of Mr. MK Chu (an executive Director who stations in Thailand) decreased significantly as a result of the decrease in volume of sales from warehouse recorded by the Group in the year. Mr. MK Chu's remuneration was performance-linked and one of the factors of consideration was by reference to the volume of sales from warehouse (sales of dried cassava chips procured and stored in the Group's warehouses in Thailand). Save for the case of Mr. MK Chu, none of the other Directors' remunerations during the Track Record Period were directly linked to the volume of sales from warehouse.

### Finance costs

Finance expenses of the Group remained stable at approximately HK\$15.0 million for the financial years 2007 and 2008.

### Taxation

The Group's taxation charges increased by approximately 41.1% from about HK\$10.1 million for financial year 2007 to about HK\$14.2 million for financial year 2008 primarily because of the increase of profit generated during the financial year. The taxation charge for the year represented an effective tax rate of approximately 12.2% which was lower than the effective tax rate of approximately 22.8% for financial year 2007. This further reduction in the Group's effective tax rate was primarily because the Group were engaged in more direct sales which arrangements were made in and relevant sales and profits were earned in Hong Kong and in Macau but not in Thailand. The Hong Kong subsidiaries have a lower tax rate of 17.5% and the Macau subsidiary is an offshore company exempted from paying any profits tax in Macau. The Directors consider that the profits earned in the respective jurisdictions were appropriate.

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### Profit for the year

Profit for the year of the Group increased by approximately HK\$67.8 million, or approximately 199.0%, from approximately HK\$34.1 million in financial year 2007 to approximately HK\$101.9 million in financial year 2008. The increase in the profit for the year was mainly because (i) the Group's gross profit increased by approximately HK\$39.9 million in the financial year 2008, (ii) there was a fair value gain on investment properties of approximately HK\$9.1 million during the financial year, (iii) there was a gain on disposal of an available-for-sale investment of approximately HK\$16.2 million during the financial year and (iv) the Group's selling and distribution expenses decreased by approximately HK\$14.3 million.

*For the five months ended 31 August 2008*

### Revenue

Revenue of the Group increased by approximately HK\$60.8 million, or approximately 22.2%, from approximately HK\$273.7 million for the five months ended 31 August 2007 to approximately HK\$334.5 million for the five months ended 31 August 2008, mainly due to the net effect of the increase in average selling price by approximately 49.5% from HK\$1,128 per tonne in the five months ended 31 August 2007 to HK\$1,686 per tonne in the five months ended 31 August 2008 and the decrease in quantity sold from 242,764 tonnes in five months ended 31 August 2007 to 198,380 tonnes in the five months ended 31 August 2008. The increase in the average selling price of dried cassava chips in the five months ended 31 August 2008 was in line with the increase in the average F.O.B. price of cassava chips in Thailand of the five months ended 31 August 2008 as compared with the corresponding period in 2007.

### Cost of sales

Cost of sales of the Group, representing the cost of cassava, increased by approximately HK\$54.5 million, or approximately 26.4%, from approximately HK\$206.0 million for the five months ended 31 August 2007 to approximately HK\$260.4 million in the five months ended 31 August 2008, mainly due to the increase in the average unit cost of dried cassava chips.

### Gross profit

Gross profit of the Group increased by approximately HK\$6.3 million, or approximately 9.3%, from approximately HK\$67.8 million for the five months ended 31 August 2007, representing a gross profit margin of approximately 24.8%, to approximately HK\$74.1 million for the five months ended 31 August 2008, representing a gross profit margin of approximately 22.1%. The decrease in gross profit margin was mainly due to the fact that the gross profit margin of the Group's direct sales for the five months ended 31 August 2008 decreased to 14.6% from 22.9% for the five months ended 31 August 2007 whereas that of the gross profit margin of the Group's sales from warehouse remained relatively stable for the five months ended 31 August 2007 and 2008 at approximately 26.3% and 27.7%.

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### Other income and gains

During the five months ended 31 August 2008, other income and gains of the Group comprised mainly gross rental income from leasing of the Group's investment properties of approximately HK\$0.6 million.

During the five months ended 31 August 2007, other income and gains of the Group were approximately HK\$19.8 million, which comprised mainly a gain on disposal of an available-for-sale investment of approximately HK\$16.2 million, interest income from a related company of approximately HK\$1.7 million, management fee income from a related company of approximately HK\$0.8 million and gross rental income of approximately HK\$0.5 million.

### Selling and distribution expenses

During the five months ended 31 August 2008, the selling and distribution expenses of the Group were approximately HK\$46.0 million (representing a 13.7% of the total sales revenue for the five months ended 31 August 2008) which comprised mainly ocean freight costs of approximately HK\$37.3 million and warehouse, handling and inland transportation expenses of approximately HK\$8.7 million.

It increased by approximately HK\$3.2 million, or approximately 7.5%, from approximately HK\$42.8 million in the five months ended 31 August 2007 to approximately HK\$46.0 million in the five months ended 31 August 2008, mainly due to the net effect of an increase in average ocean freight costs per tonne in the five months ended 31 August 2008 and a decrease in the sales volume. The average ocean freight costs had increased by approximately 33.4% from approximately HK\$140.7 per tonne in the five months ended 31 August 2007 to approximately HK\$187.7 per tonne in the five months ended 31 August 2008.

### Administrative expenses

Administrative expenses of the Group increased by approximately HK\$0.8 million, or approximately 15.6%, from approximately HK\$5.4 million in the five months ended 31 August 2007 to approximately HK\$6.2 million in the five months ended 31 August 2008, mainly due to the increase in salaries and wages as a result of an annual payroll adjustment and increase in staff for initial public offer purposes.

### Finance costs

Finance expenses of the Group was increased by 8.2% from approximately HK\$5.7 million for the five months ended 31 August 2007 to approximately HK\$6.1 million for the five months ended 31 August 2008.

## FINANCIAL INFORMATION

### Taxation

The Group's taxation charges decreased by approximately 62.8% from about HK\$6.6 million for the five months ended 31 August 2007 to about HK\$2.5 million for the five months ended 31 August 2008 primarily because of the decrease of profit generated during the period. The taxation charge for the five months ended 31 August 2008 represented an effective tax rate of approximately 33.8% which was 14.6 percentage points higher than the effective tax rate of approximately 19.2% for the five months ended 31 August 2007. The increase in the Group's effective tax rate was primarily due to (i) the significant decrease in gross profit margin achieved by the Group through direct sales made in the five months ended 31 August 2008, thereby fewer profits were earned in Hong Kong and in Macau and (ii) more profits were earned by the Group's operation in Thailand. The Hong Kong subsidiaries have a lower tax rate of 16.5% (five months ended 31 August 2007: 17.5%) and the Macau subsidiary is an offshore company exempted from paying any profits tax in Macau. The Directors consider that the profits earned in the respective jurisdictions were appropriate.

### Profit for the period

Profit for the period of the Group decreased by approximately HK\$22.9 million, or approximately 82.7%, from approximately HK\$27.7 million in the five months ended 31 August 2007 to approximately HK\$4.8 million in the five months ended 31 August 2008. The decrease in the profit for the period was mainly because (i) the Group's gross profit increased by approximately HK\$6.3 million in the five months ended 31 August 2008; (ii) there was a fair value loss on investment properties in Hong Kong and the PRC of approximately HK\$8.7 million for the five months ended 31 August 2008 due to the recent economic development while there was a fair value gain on investment properties of approximately HK\$0.6 million in the five months ended 31 August 2007; (iii) there was a deficit on revaluation of property, plant and equipment of approximately HK\$0.5 million in the five months ended 31 August 2008; (iv) there was a non-recurring gain on disposal of an unlisted available-for-sale investment of approximately HK\$16.2 million in the five months ended 31 August 2007; (v) the Group's selling and distribution expenses increased by approximately HK\$3.2 million; and (vi) the Group's administrative expenses increased by approximately HK\$0.8 million.

Profit for the period of the Group for the five months ended 31 August 2008 included certain profit/loss of non-cassava nature – (i) fair value loss on properties of approximately HK\$8.7 million and (ii) gross rental income of approximately HK\$0.6 million, while that for five months ended 31 August 2007 included (i) gain on disposal of available-for-sale investment of approximately HK\$16.2 million; (ii) fair value gain on properties of approximately HK\$0.6 million; (iii) management fee income from a related company of approximately HK\$0.8 million; (iv) interest income from a related company of approximately HK\$1.7 million and (v) gross rental income of approximately HK\$0.5 million.

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The profit of the Group for the period ended 31 August 2007 and 2008 amounted to approximately HK\$27.7 million and approximately HK\$4.8 million respectively, representing a drop of approximately 82.7% or approximately HK\$22.9 million. The decline was mainly attributable to (i) losses of non-cassava nature for the five months ended 31 August 2008, including in particular the fair value loss on investment properties in Hong Kong and PRC of approximately HK\$8.7 million, deficit on revaluation of property, plant and equipment of approximately HK\$0.5 million for the five months ended 31 August 2008 due to general decline in the property market in Hong Kong; (ii) gain on disposal of available-for-sale investment of approximately HK\$16.2 million for the five months ended 31 August 2007; and (iii) the tax effect of items (i) and (ii) above.

The Group's business is possibly and may be affected by of the recent economic developments and/or the riots in Thailand. The Directors note that the price of dried cassava chips in recent months have shown a declining trend. As the global economies suffer potential recessions, general overall business activities may continue to slow down. Therefore, the demand for dried cassava chips in the PRC may have decreased which may have an impact on the Company's business performance. However, the Group has not experienced any direct material obstacle in its daily operation (including sourcing and sales of dried cassava chips) up to the Latest Practicable Date. As at the Latest Practicable Date, the Group did not experience any material withdrawal of banking facilities, early payment of outstanding loans as required by banks, requests by banks to increase the amount of pledge(s) for secured borrowings, cancellation of orders placed, or bankruptcy or default on the part of any customers and/or suppliers.

### ANALYSIS OF MAJOR BALANCE SHEET ITEMS

#### Inventories

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded inventories of approximately HK\$157.4 million, HK\$140.8 million, HK\$59.5 million and HK\$53.7 million respectively. Inventories of the Group principally represents the dried cassava chips. Subsequent to 31 August 2008, all of the inventories held at 31 August 2008 have been sold to the customers. The Group did not record any provision for obsolete inventories as at each of 31 March 2006, 2007, 2008 and 31 August 2008. The following table sets out the inventory turnover day for each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008:

	2006	2007	2008	As at 31 August 2008
Inventory turnover				
days (in days) <i>(note)</i>	76.9	87.8	55.0	33.1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*Note:* average of opening and closing balance for inventory/cost of sales x 365 days

## FINANCIAL INFORMATION

The Directors consider that the fluctuations in the inventory turnover days during the Track Record Period were mainly affected by the average of opening and ending inventory as at each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, the sales mix strategy adopted by the Group in different years as well as the seasonal factors contributed by the harvesting season of cassava. The inventory balances as at 31 March 2006 and 2007 included goods in transit to be delivered to customers amounting to approximately HK\$50.1 million and HK\$61.4 million, respectively. The inventories in transit have been delivered to customers after the respective balance sheet dates. Should the inventory turnover days be adjusted to exclude the impact of the inventory in transit, the adjusted inventory turnover days as at each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008 are 61.0 days, 55.0 days, 38.1 days and 33.1 days, respectively. As such, there was a gradual reduction in the inventory turnover days over the Track Record Period, mainly because the Group's strategic actions to reduce the inventory holding period in order to mitigate the market risk when the price of cassava rose, particularly during financial year 2008, as reflected by the increase in the average selling price for sales from warehouse by 36.8% and 21.7% achieved by the Group in the financial year 2008 and for the five months ended 31 August 2008 compared to the year ended 31 March 2008, respectively.

### Bills receivable

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded bills receivable of approximately HK\$72.0 million, HK\$62.1 million, HK\$27.8 million and HK\$21.5 million. In accordance with the Group's existing credit policy, most of the customers are dealt with under irrevocable letters of credit. The Group generally discounts all its undue bills receivable to finance its operations. Accordingly, the ending balances of the bills receivable mainly represented those letters of credit yet to be discounted. Subsequent to 31 August 2008, all of the bills receivable as at 31 March 2008 have been settled. The following table sets out the breakdown of the bills receivable as at 31 March 2006, 2007, 2008 and 31 August 2008:

	As at 31 March			As at
	2006	2007	2008	31 August
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Bills receivable	10.0	–	27.8	21.5
Discounted bills receivable with recourse	62.0	62.1	–	–
	<u>72.0</u>	<u>62.1</u>	<u>27.8</u>	<u>21.5</u>

## FINANCIAL INFORMATION

The Directors consider that the fluctuations in the debtor turnover days during the Track Record Period were mainly affected by the ending balance of bills receivables as at each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008. The Group generally discounts its undue bills receivable to finance its operations. Accordingly, discrepancies between the settlement date of the letter of credit and the turnover days of bills receivables arise. The debtor turnover day for the financial year 2007 decreased when compared with that for the financial year 2006 because the Group has generally shortened the maturity period of the bills receivables in the financial year 2007 when compared with the financial year 2006. The debtor turnover day of the financial year 2008 decreased compared with the financial year 2007 because the Group changed its policy from discounting bills receivables with recourse in the financial year 2007 (resulting in the discounted amount being continued to be carried forward in the balance sheets) to discounting the bills receivable without recourse during the financial year (thereby switching the discounted amount to be excluded from the balance sheets). The debtor (bills receivables) turnover days in five months ended 31 August 2008 was relatively stable compared to that of the financial year 2008. The following table sets out the debtor (bills receivables) turnover days as at the date indicated below:

	<b>As at 31 March</b>			<b>As at 31 August 2008</b>
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>
Debtor turnover days (in days) <i>(note)</i>	35.5	27.7	11.2	9.8

*Note:* closing balance for bills receivable/revenue x 365 days

### Investment properties

	<b>As at 31 March</b>			<b>As at 31 August 2008</b>
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At valuation	19,000	29,900	48,199	39,450

The increase in investment properties of approximately HK\$10.9 million from the balance of approximately HK\$19.0 million as at 31 March 2006 to the balance of approximately HK\$29.9 million as at 31 March 2007 was due to the acquisition of an office premise in Hong Kong for a consideration of approximately HK\$7.5 million and the fair value gain of approximately HK\$3.4 million on revaluation of the investment properties.

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The increase in investment properties of approximately HK\$18.3 million from the balance of approximately HK\$29.9 million as at 31 March 2007 to the balance of approximately HK\$48.2 million as at 31 March 2008 was due to the acquisition of an industrial building in Shenzhen, the PRC for a consideration of approximately HK\$10.1 million and the fair value gain of approximately HK\$9.1 million on revaluation of the investment properties, the effect of which was partly offset by the disposal of an investment property with a carrying value of approximately HK\$0.9 million.

The decrease of approximately HK\$8.7 million from the balance of approximately HK\$48.2 million as at 31 March 2008 to the balance of approximately HK\$39.5 million as at 31 August 2008 was due to the fair value loss of approximately HK\$8.7 million on revaluation of the investment properties.

### Trade and other payables and accruals

	As at 31 March			As at
	2006	2007	2008	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Receipts in advance	80,526	40,606	–	–
Rental deposits received	285	358	406	364
Trade and other payables	768	3,110	3,790	5,940
Accrued liabilities	5,480	2,481	8,307	8,206
	<u>87,059</u>	<u>46,555</u>	<u>12,503</u>	<u>14,510</u>

The balance of receipts in advance as at 31 March 2006 was mainly due to approximately HK\$76.2 million sales deposits received by the Group. The related goods were delivered to the customers after the year end. The balance of receipts in advance as at 31 March 2007 represented mainly sales deposits received by the Group of approximately HK\$29.5 million and deposit received for disposal of the minority interest of approximately HK\$11.1 million received by the Group. The related goods were delivered to the customers and the transactions were completed after the year end. No balance of receipt in advance was recorded as at 31 March 2008 and 31 August 2008 because all the goods were delivered to the customers before those dates.

The increase in the balances of trade and other payables as at 31 March 2007 was mainly due to the PRC land appreciation tax payable of approximately HK\$2.2 million in respect of the prepaid land lease payments in the PRC which was disposed of during the financial year ended 31 March 2007. The increase in the balances as at 31 March 2008 was mainly due to the increase of warehouse rental payables and interest payables. The increase in the balance as at 31 August 2008 was mainly due to the increase in interest payables.

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The balance of accrued liabilities represented mainly the payables of stevedore, freight charges and other handling expenses and professional and legal expenses. The decrease in the balance as at 31 March 2007 was mainly due to settlement of the payables of stevedore, freight charges and other handling expenses. The increase in the balance as at 31 March 2008 was mainly due to the increase of the payables of stevedore, freight charges and other handling expenses and professional and legal expenses. The decrease in the balance as at 31 August 2008 was mainly due to the decrease of the payables of stevedore, freight charges and other handling expenses and professional and legal expenses.

### **Due from/to a director**

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded an amount due from a director of approximately HK\$52.5 million, HK\$45.7 million, HK\$nil and HK\$26.6 million, respectively, and an amount due to a director of approximately HK\$nil, HK\$nil, HK\$12.1 million and HK\$nil respectively. Subsequent to 31 August 2008, the amount due from a director has been fully settled.

### **Due from related companies and the loan owed by Mr. Aja to Art Rich under the Aja-Art Rich Arrangements**

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded amounts due from the related companies of approximately HK\$7.6 million, HK\$33.1 million, HK\$44.0 million and HK\$44.1 million, respectively.

All of the balances were of non-trading nature. Except for the balance amounted to approximately HK\$30.1 million which borne an interest at People's Bank of China prime rate plus 8% per annum, all balances were interest-free, unsecured and have no fixed terms of repayment. Subsequent to 31 August 2008, all of the such amounts due from related parties were fully settled.

The loan owed by Mr. Aja to Art Rich under the Aja-Art Rich Arrangements (which is recorded under the prepayment, deposits and other receivables in the financial statements) is still outstanding.

### **Due to the related companies**

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded amounts due to the related companies of approximately HK\$5.1 million, HK\$nil, HK\$0.7 million and HK\$0.8 million respectively. All of the balances are of non-trading nature and were interest-free, unsecured and had no fixed terms of repayment. Subsequent to 31 August 2008, all of the amounts due to the related companies were fully settled.

## FINANCIAL INFORMATION

### Historical related party transactions

Historical related party transactions for the Track Record Period are set out below:

- (a) The management fee income from Artwell Cotton of approximately HK\$1.8 million for each of the financial years ended 31 March 2006, 2007 and 2008 and of approximately HK\$0.8 million and HK\$nil for the five months ended 31 August 2007 and 2008 mainly relating to the provision of certain administrative services and the sharing of office was mutually agreed between both parties with reference to actual costs incurred. Pursuant to the termination agreement dated 1 April 2008, Artwell Enterprises ceased to provide the above services to Artwell Cotton and no management fee was received from Artwell Cotton thereafter.
- (b) The interest income received from Alther Limited of approximately HK\$nil, HK\$nil and HK\$5 million for each of the financial years ended 31 March 2006, 2007 and 2008 and HK\$1.7 million and HK\$nil for the five months ended 31 August 2007 and 2008 was charged at 8% above the prime rate per annum quoted by the People's Bank of China on the outstanding amount due from a related company for the financial year ended 31 March 2008. No interest was charged to such related company during the financial years ended 31 March 2006 and 2007. It ceased to charge such interest income from the related company commencing from 1 April 2008. As at the Latest Practicable Date, the relevant balances were fully settled.
- (c) The freight handling fees paid to Artwell Transportation of approximately HK\$nil, HK\$0.4 million and HK\$0.4 million for each of the financial years ended 31 March 2006, 2007 and 2008 and approximately HK\$33,000 and HK\$nil for the five months ended 31 August 2007 and 2008 in relation to the transportation of dry cassava chips charged with reference to the actual overheads costs incurred. Commencing from 1 April 2008, the freight arrangement has been handled by the Group and no handling fees were paid to Artwell Transportation accordingly.
- (d) The Group disposed of an investment property to Alpha Concord Investment Limited at a consideration of approximately HK\$1 million during the year ended 31 March 2008. The consideration was based on fair market value appraised by independent professionally qualified valuers.
- (e) The management fee paid to 濟南雅新房地產開發有限公司 (Jinan Ya Xin Real Estate Development Co., Ltd.) of approximately HK\$0.7 million for the financial year ended 31 March 2008 for the provision of administrative services was mainly based on actual staff costs incurred. Commencing from 1 April 2008, the Group employed its own staff for such administrative services and no management fee was paid to 濟南雅新房地產開發有限公司 (Jinan Ya Xin Real Estate Development Co., Ltd.) accordingly.

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- (f) The rental expenses paid to Rizhao Artwell International Hotel Co., Ltd. of approximately HK\$0.1 million for each of the financial years ended 31 March 2006, 2007 and 2008 and for the five months ended 31 August 2007 and 2008 were determined based on prevailing market rent.
- (g) The performance bonus paid to Mrs. Chu for approximately HK\$1.1 million for the financial year ended 31 March 2006 related to the sales of properties of the Group arranged by a member of the Group's staff, who is a the spouse of Mr. Chu, a director of the Company, was determined by the Group at its sole discretion with reference to the transaction value.
- (h) The Group acquired certain trademarks from a director at the consideration of RMB1.00 (approximately HK\$1.14).
- (i) On 28 March 2008, the Group and a related company controlled by a director of the Company entered into a lease agreement to lease the related company's property in the PRC to the Group for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at a total annual rental of HK\$38,800. The rental expense was determined based on prevailing market rent. The rental expenses paid for the five months ended 31 August 2008 was approximately HK\$16,000.
- (j) On 28 March 2008, the Group and a director entered into a lease agreement to lease the director's property in the PRC to the Group for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at a total annual rental of HK\$136,300. The rental expense was determined based on prevailing market rent. The rental expenses paid for the five months ended 31 August 2008 was approximately HK\$0.1 million.
- (k) On 15 May 2008, the Group and a related company controlled by a director of the Company entered into a lease agreement to lease the related Company's property in Hong Kong to the Group, for a period of two years commencing from 1 April 2008 and expiring on 31 March 2010, at a total annual rental of HK\$387,900. The rental expense was determined based on prevailing market rent. The rental expense paid for the five months ended 31 August 2008 was approximately HK\$161,000.
- (l) On 31 March 2008, the Group acquired a factory complex in the PRC from Mr. Chu at a consideration of approximately RMB9.2 million (approximately HK\$10.1 million, calculated at the then prevailing exchange rate). The consideration was based on fair market value appraised by independent professionally qualified valuers. On acquisition of the property, the Group also took over the lease agreement for leasing the property to a related company controlled by the director for the remaining period from 31 March 2008 to 30 June 2010, at a total annual rental of HK\$225,500. The rental expense was determined based on prevailing market rent. The rental income received for the five months ended 31 August 2008 was approximately HK\$0.1 million.

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- (m) On 28 March 2008, the Group and a related company controlled by a director entered into a lease agreement under which the related company leased a property located in the PRC to the Group for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at a total annual rental of RMB120,000 (equivalent to HK\$136,300). The rental expense was determined based on prevailing market rent. The rental expense paid by the Group for the five months ended 31 August 2008 was approximately HK\$57,000. Prior to entering into the lease agreement, the Group occupied the above property for the years ended 31 March 2006, 2007 and 2008 and paid rental expenses to the related company of approximately HK\$125,000, HK\$122,000 and HK\$133,000, respectively.

### LIQUIDITY, FINANCIAL RESOURCES AND INDEBTEDNESS

During the Track Record Period, the Group financed its working capital and capital expenditure requirements principally through net cashflow from operating activities and bank borrowings.

The following table summaries the combined cash flows of the Group for the years or periods indicated:

	Year ended 31 March			Five months ended 31 August	
	2006	2007	2008	2007	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	(59,224)	16,968	158,879	95,036	22,290
Net cash inflow/(outflow) from investing activities	12,302	6,541	12,906	31,682	(46)
Net cash inflow/(outflow) from financing activities	<u>74,666</u>	<u>8,226</u>	<u>(182,930)</u>	<u>(141,194)</u>	<u>(58,976)</u>
Net cash inflow/(outflow)	27,744	31,735	(11,145)	(14,476)	(36,732)
Cash and cash equivalents at the beginning of the year/period	(3,259)	24,257	55,301	55,301	45,340
Effect of foreign exchange rate changes, net	<u>(228)</u>	<u>(691)</u>	<u>1,184</u>	<u>455</u>	<u>179</u>
Cash and cash equivalents at the end of the year/period	<u><u>24,257</u></u>	<u><u>55,301</u></u>	<u><u>45,340</u></u>	<u><u>41,280</u></u>	<u><u>8,787</u></u>

## FINANCIAL INFORMATION

### Cash flows

As at 31 March 2006, 2007, 2008 and 31 August 2007 and 2008, the Group had cash and cash equivalents of approximately HK\$24.3 million, HK\$55.3 million, HK\$45.3 million, HK\$41.3 million and HK\$8.8 million respectively. Cash generated from operations, when not used for working capital or repayment of bank loan purposes, is held principally in the form of short-term deposits with banks in Hong Kong, Thailand or the PRC.

#### *Operating Activities*

The Group had a net cash outflow from operating activities of approximately HK\$59.2 million for the financial year 2006. This net outflow was mainly attributable to the approximately HK\$40.5 million of cash inflows before movements in working capital, which was offset by an outflow of approximately HK\$86.0 million of the increase in inventories and bills receivable and decrease in prepayments, deposits and other receivables and other payables and accruals.

The Group's net cash flow from operating activities reversed from an outflow of approximately HK\$59.2 million for the financial year 2006 to an inflow of approximately HK\$17.0 million for the financial year 2007 mainly because of the release of working capital movement. In addition, the Group still recorded cash inflows before movements in working capital of approximately HK\$48.5 million for the financial year 2007 compared to approximately HK\$40.5 million in the financial year 2006.

The Group recorded a stronger cash inflow from operating activities of approximately HK\$17.0 million for the financial year 2007 to an inflow of approximately HK\$158.9 million for the financial year 2008 mainly because of the significant increase in the profit during the financial year. In addition, the Group further released working capital of approximately HK\$115.6 million from its operation which was mainly contributed by the decrease of inventories and bills receivable.

The Group had a net cash inflow from operating activities of approximately HK\$95.0 million for the five months ended 31 August 2007. This net inflow was mainly attributable to the approximately HK\$21.6 million of cash inflows before movements in working capital, an inflow of approximately HK\$79.6 million of the decrease in inventories and bills receivable and increase in prepayments, deposits and other receivables and decrease in trade, other payables and accruals.

For the five months ended 31 August 2008, the Group's net cash inflow from operating activities decreased to approximately HK\$22.3 million from approximately HK\$95.0 million for the five months ended 31 August 2007 mainly due to decrease in release of working capital movement after the Group's holding less inventories and adoption of discounting bills receivable without recourse.

#### *Investing Activities*

For the financial year 2006, the Group recorded cash inflows from investing activities of approximately HK\$12.3 million which mainly represented the proceeds from disposal of investment properties of approximately HK\$12.9 million.

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For the financial year 2007, the Group recorded cash inflows from investing activities of approximately HK\$6.5 million which mainly represented the proceeds from disposal of prepaid land lease payments of approximately HK\$14.1 million less the purchase of investment properties of approximately HK\$7.5 million.

For the financial year 2008, the Group recorded cash inflows from investing activities of approximately HK\$12.9 million which was mainly resulted from (i) the purchases of items of property, plant and equipment of approximately HK\$9.8 million; (ii) the purchase of investment properties of approximately HK\$10.1 million; less (iii) the proceeds from disposal of an available-for-sale investment of approximately HK\$31.8 million.

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For the five months ended 31 August 2007, the Group recorded cash inflows from investing activities of approximately HK\$31.7 million which was mainly resulted from (i) the proceeds from disposal of an available-for-sale investment of approximately HK\$31.8 million; less (ii) the purchase of items property, plant and equipment of approximately HK\$0.1 million.

For the five months ended 31 August 2008, the Group recorded cash outflows from investing activities of approximately HK\$46,000 which was resulted from the purchase of equipment.

### *Financing Activities*

For the financial year 2006, the Group recorded net cash inflows from financing activities of approximately HK\$74.7 million as a result of the net off effect of the balance with related companies and director and the drawdown and repayment of bank loans. The Group decreased the net cash inflow from financing activities to approximately HK\$8.2 million for the financial year 2007 because of the decrease in net advances to directors and the net drawdown of bank loans. For the financial year 2008, the Group recorded significant net cash outflows from financing activities of approximately HK\$182.9 million mainly due to the net repayment of bank loans of approximately HK\$283.8 million with cash flows generated from the profitable operation during the financial year.

For the five months ended 31 August 2007, the Group recorded net cash outflows from financing activities of approximately HK\$141.2 million as a result of the effect of the net repayment of from related companies and director and the repayment of bank loans. The Group decreased the net cash outflow from financing activities to approximately HK\$59 million for the five months ended 31 August 2008 because of the increase in net advances to related companies and directors and the repayment of bank loans with cash flows generated from the profitable operation during the period and available cash and balance balances.

### **Interest-bearing bank loans and banking facilities**

The increase in the balance as at 31 March 2007 when compared with 2006 was for the financing of the Group's increasing working capital needs due to the increase in sales volume and the advances of approximately HK\$20.0 million to a related company controlled by a Controlling Shareholder for its property development business. As advised by the PRC legal advisers, the advances to the related parties will be regarded as invalid under the relevant rules in the PRC. However, the borrowing parties continue to have the obligation to repay the advances. The PRC legal advisers also opined that the Group would not be penalised by The People's Bank of China because the advances involving the Group's PRC companies are non-interest bearing. Such advances have already been settled. The Directors are of the view that stringent monitoring procedures are in place to prevent the occurrence of such advances in the future.

The decrease in the balance as at 31 March 2008 and as at 31 August 2008 was mainly due to the repayment of bank loans with cash flows generated from the profitable operations during the financial year ended 31 March 2008 as well as the five months ended 31 August 2008.

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As at 31 August 2008, the Group's banking and credit facilities were secured by certain properties and inventories of the Group, certain properties of a Director and certain related companies of the Group controlled by that director, unlimited cross guarantees given by certain related companies controlled by a Director, certain unlimited guarantees given by a Director.

### **Indebtedness**

As at 31 December 2008, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, the Group had outstanding secured bank borrowings of approximately HK\$138.0 million. Approximately HK\$130.2 million of the total outstanding borrowings are repayable within one year and the remaining balances of approximately HK\$7.8 million are repayable beyond one year but within five years.

As at the Latest Practicable Date, the Group has sought consents in principle from the banks in releasing all the guarantees provided by the director and/or related companies and replacing the securities to the Group's banking facilities by corporate guarantee and/or other security to be provided by the Company and/or other members of the Group.

### **Contingent liabilities**

During Track Record Period, certain of the Group's banking facilities were shared between the Group and Artwell Cotton Limited ("Artwell Cotton"), a related company of the Group controlled by a director of the Company. These banking facilities were secured, inter alia, by certain properties and inventories of the Group and the Group's corporate guarantees, and cross corporate guarantees given by Artwell Cotton. These banking facilities were not utilised by Artwell Cotton as at 31 March 2006, 2007 and 2008 and 31 August 2008. Subsequent to 31 August 2008, the cross guarantees given by the Group in favour of Artwell Cotton and the share of banking facilities between the Group and Artwell Cotton have been released. As at 31 December 2008, there were no contingent liabilities of the Group.

### **Commitments**

As at 31 December 2008, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, the Group had no credit commitments in respect of letters of credit issued but not utilised. As at 31 December 2008, the Group had operating lease commitments of approximately HK\$4.9 million in respect of the lease payments.

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### **Disclaimer**

Save as disclosed above, apart from intra-group liabilities, the Group did not have outstanding indebtedness at the close of business on 31 December 2008 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other contingent liabilities.

### **Capital structure**

#### *Net tangible assets*

As at 31 August 2008, the Group had net tangible assets of approximately HK\$80.6 million, comprising non-current assets of approximately HK\$61.1 million (comprising property, plant and equipment and investment properties), net current assets of approximately HK\$30.9 million and non-current liabilities of approximately HK\$11.4 million (comprising secured interest-bearing bank loans, deferred tax liabilities and finance lease payable).

As at 31 December 2008, the Group had net tangible assets of approximately HK\$97.0 million, comprising non-current assets of approximately HK\$48.5 million (comprising property, plant and equipment and investment properties), net current assets of approximately HK\$59.7 million and non-current liabilities of approximately HK\$11.2 million (comprising secured interest-bearing bank loan, deferred tax liabilities and finance lease payable).

#### *Net current assets*

Based on the unaudited consolidated management accounts of the Group as at 31 December 2008, the Group had net current assets of approximately HK\$59.7 million (31 August 2008: approximately HK\$30.8 million) comprising current assets of approximately HK\$218.5 million (31 August 2008: approximately HK\$169.0 million) and current liabilities of HK\$158.8 million (31 August 2008: approximately HK\$138.2 million). The current assets of the Group as at 31 December 2008 of approximately HK\$218.5 million mainly comprise inventories, bills receivable, prepayments, deposits and other receivables, and cash and cash equivalents.

The current liabilities of Group as at 31 December 2008 of approximately 158.2 million mainly comprise interest-bearing bank borrowings and tax payable.

The increase in the net current assets of approximately HK\$28.8 million from approximately HK\$30.9 million as at 31 August 2008 to approximately HK\$59.7 million as at 31 December 2008 was mainly due to the accumulation of assets generated from the Group's profitable operations during the period from 1 September 2008 to 31 December 2008.

## FINANCIAL INFORMATION

### *Financial resources*

As at 31 December 2008, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, other than the leases of its office, properties and warehouses and the credit commitments in relation of its trading activities, the Group does not have material capital commitments nor major expenditures that would have material impact on the liquidity of the Group. Prior to the completion of the Share Offer, the operations of the Group were financed principally by shareholders' equity and internally generated funds and bank borrowings. Upon completion of the Share Offer, the Group expects that its operations will be financed mainly by the net proceeds of the Share Offer, internally generated funds and bank borrowings.

### **Currency risk**

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to RMB, THB and US\$. The majority of the Group's revenues are denominated mainly in US\$ and purchases are denominated mainly in US\$ and THB. The exchange rate fluctuations may impact the Group's earnings, cash flow and net assets. Nevertheless, the Group was not in general and is not currently a party to any exchange rate risk management transaction.

### **WORKING CAPITAL**

Taking into account the cashflow generated from the operating activities, the financial resources available to the Group, including internally generated funds, the available banking facilities and the estimated net proceeds of the Share Offer and having regard to the existing business plan of the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

### **PROPERTY INTERESTS**

Asset Appraisal Limited, an independent property valuer, has valued the property interests attributable to the Group as at 31 December 2008 at approximately HK\$47.2 million. The text of its letter and a summary of valuation and valuation certificates are set out in "Appendix III — Property Valuation" to this prospectus.

## FINANCIAL INFORMATION

A reconciliation of the net book value of the relevant property interests as at 31 August 2008, to their fair value as at 31 December 2008 as stated in “Appendix III — Property Valuation” to this prospectus is as follows:

	<i>HK\$'000</i>
Net book value of the properties as at 31 August 2008 as per Appendix I to this prospectus:	
Land and buildings	17,300
Investment properties	<u>39,450</u>
	56,750
Movements for four months ended 31 December 2008:	
Depreciation on buildings (unaudited)	<u>(192)</u>
Net book value of properties as at 31 December 2008	56,558
Revaluation deficit	<u>(9,328)</u>
Valuation as at 31 December 2008 as per Appendix III to this prospectus	<u><u>47,230</u></u>

### DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 8 May 2008. There were no reserves available for distribution to the shareholders as at 31 August 2008 (being the date to which the latest audited financial statements of the Group were made up) as the Company did not earn any income since its incorporation.

### DIVIDEND POLICY

No dividends have been paid or declared by the Company since the date of its incorporation. For the financial year ended 31 March 2006 and the five month period ended 31 August 2008, the Group has not declared any dividends. For the financial years ended 31 March 2007 and 2008, the Group’s subsidiaries paid interim dividends to their then shareholders amounting approximately HK\$22 million and HK\$75 million, respectively. The declaration and payment of dividends and their amount will be subject to the Directors’ discretion. Historical dividend rates should not be used as a reference or basis for ascertaining the amounts of dividends which may be payable in the future. Generally the Company will declare dividends to the Shareholders in such amount not less than 30% of the audited consolidated profit after tax of the Group. Whether the Group will declare additional dividends and the amount of which will also depend on factors including its business operation, earnings, surplus, financial conditions, and payments by subsidiaries of dividends to the Group. There is no assurance that any additional dividend will be declared and paid in the future.

## FINANCIAL INFORMATION

### MATERIAL ADVERSE CHANGE

The profit of the Group for the period ended 31 August 2007 and 2008 amounted to approximately HK\$27.7 million and approximately HK\$4.8 million respectively, representing a drop of approximately 82.7% or approximately HK\$22.9 million. The decline was mainly attributable to losses of non-cassava nature for the five months ended 31 August 2008, including in particular the fair value loss on investment properties in Hong Kong and in the PRC of approximately HK\$8.7 million and, deficit on revaluation of property, plant and equipment of approximately HK\$0.5 million for the five months ended 31 August 2008 due to general decline in the property market in Hong Kong and in the PRC and the gain on disposal of unlisted available-for-sale investment of approximately HK\$16.2 million for the five month period ended 31 August 2007.

Revenue of the Group increased by approximately HK\$60.8 million, or approximately 22.2%, from approximately HK\$273.7 million for the five months ended 31 August 2007 to approximately HK\$334.5 million for the five months ended 31 August 2008. This is a net effect of a decrease in the quantity of dried cassava sold by approximately 18.3% and an increase in the average selling price by approximately 49.5% during the period.

The quantity of dried cassava chips sold by the Group for the period ended 31 August 2008 amounted to approximately 198,380 tonnes, which represented a drop of approximately 18.3% as compared with the quantity sold of 242,764 tonnes for the period ended 31 August 2007.

The average selling price of dried cassava chips for the five months ended 31 August 2008 was approximately HK\$1,686 per tonne, which represents a rise of approximately 49.5% as compared with the average selling price of approximately HK\$1,128 per tonne for the five months ended 31 August 2007. The monthly average selling price of dried cassava chips decreased from approximately HK\$1,641 per tonne in August 2008 to approximately HK\$986 per tonne in January 2009. The second half of 2008 saw the financial tsunami and a general trend of decline in prices of crude oil and denatured fuel ethanol. It is not unlikely that the selling prices of dried cassava chips will continue to be subject to turbulent fluctuation, which may affect the Group's financial performance. With a deteriorating global economy, general overall business activities may continue to slow down. Therefore, the demand for dried cassava chips in the PRC may have decreased which may have an impact on the Group's business performance. Furthermore, in light of the riots in Thailand in 2008, the Group's business may be adversely affected if political tension escalates and causes destructive harm in Thailand. However, the recent political events in Thailand have not caused any direct material obstacle in the daily operation (including sourcing and sales of dried cassava chips) of the Group up to the Latest Practicable Date.

The Directors confirm that save as disclosed above, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2008 (being the date to which the latest audited combined financial statements of the Group were made up).

## FINANCIAL INFORMATION

### PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the financial position of the Group as at 31 August 2008 or at any future date.

The following is a pro forma statement of adjusted net tangible assets of the Group which is based on the audited combined net tangible assets of the Group as at 31 August 2008 as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, adjusted as follows:

	Audited combined net tangible assets attributable to equity holders of the Company as at 31 August 2008 <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited pro forma adjusted net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i> <i>(Note 2)</i>
Based on an Offer Price of HK\$1.02 per Share	80,572	68,476	149,048	0.50
Based on an Offer Price of HK\$2.04 per Share	80,572	143,064	223,636	0.75

*Notes:*

- (1) The estimated net proceeds from the Share Offer are based on the Offer Shares and the Offer Price of HK\$1.02 and HK\$2.04, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Share Offer without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (3) With reference to the valuation of the property interests of the Group as set out in Appendix III to this prospectus, the aggregate revalued amount of the property interests of the Group as at 31 December 2008 were approximately HK\$47,230,000. The carrying value of these property interests as at 31 August 2008 was approximately HK\$56,750,000. The depreciation on buildings for the period from 1 September 2008 to 31 December 2008 of approximately HK\$192,000 and the revaluation deficit of approximately HK\$9,328,000 has not been included in the above adjusted net tangible assets of the Group. Such depreciation and revaluation deficit has not been recorded in the Accountants' Report as set out in Appendix I to this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS AND PROSPECTS

There is a range of applications with the use of dried cassava chips in the PRC, such as consumable ethanol, chemical products, animal feeds and, in particular, ethanol fuel. Since according to the Renewable Energy Plan, the production capacity of ethanol fuel projects using grain feedstock as raw material will not be increased in the PRC, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will lead to increase in the demand for imported dried cassava chips in the PRC. According to the Renewable Energy Plan, the targets are to increase the production of ethanol fuel by non-grain feedstock to 2 million tonnes by 2010 and to 10 million tonnes by 2020. The Directors are optimistic about the future market demand for dried cassava chips in the PRC. At present, the Group mainly sources its dried cassava chips from Thailand and intends to expand its procurement network in Thailand as well as other countries in Southeast Asia. The Directors intends to enhance the Group's upstream business operations by expanding its processing and storage capability. The Group also intends to expand its sales network in the PRC.

In order to achieve its business objective, the Group will dedicate more resources to strengthen its processing operation, procurement network and expand its sales network in the PRC. In view of the above, the Group has formulated a series of development plans as set out below.

#### **Expansion of warehousing facilities and drying yards in Thailand**

At present, the Group's principal procurement network is located in Thailand. The Group intends to further enhance and expand its procurement network geographically in Thailand. The Group currently has leased warehouses in Bangsai, Sriracha and Bangpakong, Thailand. It has entered into long-term processing arrangement with a drying yard operator in Thailand. The Group intends to expand its upstream operations by establishing additional warehousing facilities (including the necessary purchase of machinery, scale and setting up laboratory and offices). It also intends to acquire or lease drying yards in non-forestry area where ownership of land is permitted (including the necessary construction work, purchase of trucks and setting up offices) for processing fresh cassava roots into dried cassava chips in Thailand. The Group expects that the geographical expansion of storage facilities will be able to cope with the increase in purchase of both fresh cassava roots and dried cassava chips not only from its existing procurement network but also from new sources of cassava supplies in Thailand. The Group also expects that the acquisition or leasing of drying yard will enhance the Group's upstream operation of processing fresh cassava roots. The Directors believe that such expansion could enhance the Group's overall procurement capabilities in Thailand.

Depending on market opportunities, the Group intends to lease warehousing facilities and/or acquire or lease drying yards that will enable the Group to strengthen its competitiveness in the cassava industry. In respect of the intended acquisition of land, the Group will undergo all the necessary approval procedures in Thailand. In the event that the Group fails to acquire land in Thailand, the Group considers to lease land for the same purpose. As at the Latest Practicable Date, the Group had not entered into any letter of intent or agreement for such leasing or acquisition nor identified any definite target for expansion purpose. The Group will make proper disclosure and/or obtain proper approval in compliance with the Listing Rules whenever the relevant opportunity crystallises.

## FUTURE PLANS AND USE OF PROCEEDS

### **Expansion of procurement networks and logistics in Southeast Asia**

According to the Cassava Market Report, in 2007, Thailand was the largest source of import of dried cassava in China, accounting for approximately 69.3% of the total quantity of dried cassava imported into China. Vietnam was the second largest source of import accounting for approximately 27.6% of total quantity of dried cassava imported into China. In order to cater for the expected increase in demand for dried cassava chips in the PRC in the long run, the Group intends to develop a well-established procurement network and efficient logistics arrangements. The Group intends to expand its procurement network beyond Thailand in Southeast Asia, including but not limited to Cambodia and Laos. In respect of logistics arrangement, the Group intends to lease additional storage facilities in different locations and set up transportation fleet to expand its procurement networks. Currently, the Group's suppliers directly transport the dried cassava chips to the Group's warehousing facilities. After setting up its own transportation fleet, the Group will be able to further improve its logistics efficiency.

### **Strategic development of sales network and coverage**

Currently, most of the Group's customers are in the mid-eastern part of China. An extensive sales network is very important for the Group's business. In view of this, the Group intends to expand its sales network by establishing offices, storage facilities and increasing promotion and marketing of "Artwell" brand dried cassava chips in the southern, central and south western regions in the PRC by setting up offices in, but not limited to, Guangxi and other nearby provinces.

The Group has leased an office in Shenzhen. The Group intends to expand its sales network in the nearby regions by setting up more offices in the southern part of China. There are ports in southern China which can handle dry bulk cargoes. Shipping directly to these ports in China could meet the customers' urgent demand and save time and costs on transportation for customers in the region.

The Group has not commenced domestic wholesale distribution of dried cassava chips in the PRC. The storage facilities would enable the Group to expand into domestic wholesale distribution business in the PRC and to reach customers whose business locations are away from the seaports or the coastal area in the PRC. The Group also intends to develop and enhance its existing sales network in the north-eastern region (including its offices in Qingdao, Jinan, Rizhao and Lianyungang) in the PRC through promotion and marketing activities on its "Artwell" brand. The Group also intends to set up offices in Zhenjiang and Taizhou.

### **Increase in working capital**

Under the existing inventory purchase model, as the Group implements a "365-day open door policy" for purchase of dried cassava chips with payment generally within the next two business days, the Group's business operations require sufficient level of working capital. In view of the Group's expansion in its procurement capabilities, it is expected that the Group will increase its procurement quantities and further working capital is required to complement the Group's expansion and maintain its business operations.

## FUTURE PLANS AND USE OF PROCEEDS

### USE OF PROCEEDS

Based on an Offer Price of HK\$1.53 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$2.04 per Offer Share and HK\$1.02 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$114.8 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$105.8 million. At present, the Directors intend to apply the net proceeds of approximately HK\$105.8 million to the following purposes:

- approximately HK\$62.5 million or 59% for the establishment of warehousing facilities and acquisition or leasing of drying yards in Thailand, of which one warehousing facility will be leased and about two drying yards will be acquired or leased in Thailand. The lease of warehousing facilities may include the costs of the initial deposit, loaders, laboratory, scale, office facilities and costs of the initial stock-up, altogether amounted to approximately HK\$5.5 million with a gross floor area of approximately 16,000m<sup>2</sup>. Each of the drying yards may include the land cost and/or rental deposits, construction cost, trucks, scale, office facilities, storage facilities and initial stock-up, altogether amounted to approximately HK\$28.5 million with an expected gross floor area of approximately 480,000 m<sup>2</sup>;
- approximately HK\$22.7 million or 21% for the development of the Group's procurement networks and logistics systems beyond Thailand in Southeast Asia including but not limited to Cambodia and Laos;
- approximately HK\$7.0 million or 7% for the expansion of the Group's sales networks by establishing storage facilities and promotion and marketing of the Group's products in the southern, central and south western regions in the PRC, which the Group intends to apply approximately 80% to build storage facilities and approximately 20% for setting up offices in the regions;
- approximately HK\$3.1 million or 3% for the development and enhancement of sales network and marketing, including promotion and marketing of its Artwell brand dried cassava chips in the Group's existing sales network in the north-eastern region in the PRC, which the Group intends to apply approximately 40% to further enhance the four PRC leased offices with facilities and vehicles and approximately 60% each for the setting up of new offices in the regions and enhance marketing and promotion; and
- the balance of approximately HK\$10.5 million or 10% to be used as additional general working capital of the Group as the Directors consider that the business activities of the Group require relatively a large amount of working capital.

## FUTURE PLANS AND USE OF PROCEEDS

The amount of net proceeds used for each usage in establishing warehousing facilities and acquisition or leasing of drying yards are based on internal budget with reference to past experience and the available market intelligence about the capital expenditures required in similar projects. In the event of any possible impact on the Group's capital expenditure which may result from the recent economic slowdown, the Directors will consider, where appropriate, to adjust the Group's capital expenditure in response to market conditions.

As at the Latest Practicable Date, regarding the use of proceeds of the Share Offer in the PRC, the Group has not received consents to remit proceeds from the Share Offer into the PRC. The Group has not yet filed an application to the relevant PRC authorities seeking consents and/or approval on the remittance of net proceeds from the Share Offer into the PRC because based on their past experience, the Directors believe that the procedures for obtaining such approval are routine and the time involved is not unreasonably lengthy to affect the Group's future business plans in the PRC. However, when the Group applies the net proceeds into the PRC in accordance with its intended use as stated above, the Group intends to remit such proceeds from the Share Offer into the PRC by way of new capital injection into and/or loans advanced to existing or newly established PRC companies of the Group in accordance with the relevant laws and regulations in the PRC.

The Group had not entered into any letter of intent or agreement for such leasing or acquisition nor identified any definite target for expansion purpose. In the event that the Offer Price is fixed at HK\$2.04 per Offer Share, being the highest end of the indicative Offer Price range, and assuming that the Over-allotment is not exercised at all, the net proceeds will be increased by approximately HK\$37.3 million to approximately HK\$143.1 million. The Directors intend to apply approximately 50% of such amount for the lease of warehousing facilities and acquisition or leasing of drying yards in Thailand, approximately 40% of such amount for the development of the Group's procurement network and logistics systems within Southeast Asia and the remaining approximately 10% of such amount as the additional general working capital of the Group. In the event that the Offer Price is fixed at HK\$1.02 per Offer Share, being the lower end of the indicative Offer Price range, and assuming that the Over-allotment is not exercised at all, the net proceeds will be reduced by approximately HK\$37.3 million to approximately HK\$68.5 million. In such circumstances, the Directors intend to reduce approximately 50% of such amount for the lease of warehousing facilities and acquisition or leasing of drying yards in Thailand, approximately 40% of such amount for the development of the Group's procurement network and logistics systems within Southeast Asia and the remaining approximately 10% of such amount as the reduction in general working capital of the Group.

## FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, based on an Offer Price of HK\$1.53 per Offer Share (being the mid-point of the indicative Offer Price range of between HK\$2.04 per Offer Share and HK\$1.02 per Offer Share), the net proceeds will be increased by approximately HK\$16.8 million (the “Additional Proceeds”). The Directors intend to apply approximately 50% of the Additional Proceeds for the lease of warehousing facilities and acquisition or leasing of drying yards in Thailand, approximately 40% for the development of the Group’s procurement networks and logistics systems within Southeast Asia, and the remaining approximately 10% of the Additional Proceeds as additional general working capital of the Group. The Directors intend to apply the proceeds in the same percentage for both the higher and lower end of the indicative Offer Price range. If the Over-allotment Option is exercised in full, based on an Offer Price of HK\$2.04 and HK\$1.02 per Offer Share, the net proceeds will be increased by approximately HK\$22.4 million and HK\$11.2 million respectively. The Directors intend to apply the respective additional proceeds in the same proportion as described above.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with licensed banks and/or financial institutions in Hong Kong, Thailand or the PRC.

# UNDERWRITING

## UNDERWRITERS

### Placing Underwriter

Taifook Securities

### Public Offer Underwriters

Taifook Securities

Access Capital Limited

China Merchants Securities (HK) Co., Ltd.

Grand Vinco Capital Limited

Mitsubishi UFJ Securities (HK) Capital, Limited

Guangdong Securities Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Underwriting Agreement

Under the Underwriting Agreement, the Company has agreed to offer (a) the Public Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms; and, (b) the Placing Shares for subscription by institutional, professional and private investors on and subject to the terms and conditions of this prospectus.

Pursuant to the Underwriting Agreement, and conditional upon, *inter alia*, the Listing Committee granting or agreeing to grant (subject to allotment) listings of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus subject to such customary conditions that may be imposed by the Stock Exchange and certain other conditions including the Offer Price being determined by the Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) by entering into the Price Determination Agreement on or before the Price Determination Date, the Placing Underwriter has agreed to subscribe or procure subscribers to subscribe for the Placing Shares, on and subject to the terms and conditions of this prospectus and the placing documents, and the Public Offer Underwriters have severally agreed to subscribe or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms, the Public Offer Shares which are not taken up under the Public Offer.

### Grounds for termination

The Sole Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate the Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date ("Termination Time") to the Company if certain events, including the following events, shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Sponsor, the Sole Lead Manager or any of the Underwriters of any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting

## UNDERWRITING

Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Underwriting Agreement (other than those undertaken by the Underwriters, the Sponsor and/or the Sole Lead Manager) of the Underwriting Agreement which, in any such cases, is considered, in the sole and absolute opinion of the Sole Lead Manager (on behalf of the Underwriters), to be material in the context of the Share Offer; or

- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any respect; or
- (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue, incorrect or misleading in any respect, and comes to the knowledge of any of the Sponsor, the Sole Lead Manager or any of the Underwriters and which is considered, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the other Underwriters), to be material in the context of the Share Offer; or
- (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the other Underwriters), an omission in the context of the Share Offer; or
- (e) any event, act or omission which gives or is likely to give rise to any material liability of the Company or any of Mr. Chu and AR Management (“**Covenantors**”) and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Underwriting Agreement; or
- (f) there comes to the notice of the Sponsor, the Sole Lead Manager or any of the Underwriters any breach by any party to the Underwriting Agreement (other than the Sponsor, the Sole Lead Manager or the Underwriters) of any provision hereof which, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the other Underwriters), is material; or
- (g) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
  - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court

## UNDERWRITING

or other competent authority in Hong Kong, Macau, Thailand, Cambodia, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

- (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, Macau, Thailand, Cambodia, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
- (iii) any change in the conditions of Hong Kong, the US, the PRC or international equity securities or other financial markets; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Macau, Thailand, Cambodia, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group; or
- (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or
- (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- (viii) a general moratorium on commercial banking activities in the PRC, Thailand, Macau, Cambodia or Hong Kong declared by the relevant authorities; or
- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or

## UNDERWRITING

(x) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the other Underwriters):

- (aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of the Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder in his/its capacity as such shareholder of the Company; or
- (bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or
- (cc) for any reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Share Offer as a whole.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefore, may be considered a change of market conditions.

### UNDERTAKINGS

Each of Mr Chu and AR Management, has undertaken to the Company, the Sponsor, the Sole Lead Manager and the Underwriters not to (except pursuant to or in connection with the Stock Borrowing Agreement) dispose of his interest in the Company during certain period. Details of such non-disposal undertaking are set out in the paragraph headed “Restrictions on disposal of Shares” in the section headed “Persons having notifiable interests under the SFO” in this prospectus.

The Company has undertaken to and covenanted with the Sponsor, the Sole Lead Manager and the Underwriters that, and each of the Covenantors and the executive Directors jointly and severally undertakes and covenants with the Sponsor, the Sole Lead Manager and the Underwriters to procure that, without the prior written consent of the Sponsor (for itself and on behalf of the Sole Lead Manager and the Underwriters), and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Over-allotment Shares upon the exercise of the Over-allotment Option by the Sole Lead

## UNDERWRITING

Manager, the Shares to be issued pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, or by way of scrip dividend schemes or similar arrangements in accordance with the Articles, neither the Company nor any of its subsidiaries shall:

- (a) allot and issue or agree to allot and issue any shares in the Company or any subsidiary of the Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company within the period commencing on the date by reference to which disclosure of the shareholding of the Covenantors is made in the Prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”); or
- (b) allot and issue or agree to allot and issue any of the Shares or other interests referred to in (a) above within the further period of six months immediately after the expiry of the First Lock-up Period if, immediately following such allotment and issue, the Covenantors, either individually or taken together with the other of them, would cease to be a Controlling Shareholder or the single largest shareholder of the Company; or
- (c) during the First Lock-up Period purchase any Shares or securities of the Company.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will (as the case may be) pay any sub-underwriting commissions. In addition, the Sponsor will receive advisory and documentation fees for acting as the Sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$1.53 (being the mid-point of the indicative Offer Price range of HK\$1.02 per Offer Share and HK\$2.04 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to amount of approximately HK\$27 million in total, out of which approximately HK\$18 million are payable by the existing shareholder in view of certain costs not directly attributable to the issue of the Offer Shares and the remaining balance is payable by the Company.

### **Underwriters’ interests in the Company**

Save for their respective obligations and interests under the Underwriting Agreement as disclosed above and the proposed appointment of the Sponsor as compliance officer of the Company, none of the Underwriters has any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Lead Manager, for itself and on behalf of the Underwriters, and the Company on or before the Price Determination Date, which is currently scheduled on Saturday, 14 March 2009 or by no later than Wednesday, 18 March 2009 at 6:00 p.m. (Hong Kong time). **If the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on Wednesday, 18 March 2009, the Share Offer will not become unconditional and will lapse.**

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$2.04 per Offer Share and is expected to be not less than HK\$1.02 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Lead Manager, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. **If applications for the Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** In the absence of any notice being published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Company expects to announce the final Offer Price, the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Friday, 20 March 2009 in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at [www.asiacassava.com](http://www.asiacassava.com) and the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Results of allocations in the Public Offer, including the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** application forms or by giving **electronic application instructions** to HKSCC will be made available as described under the paragraph headed “Publication of results” under the section headed “How to apply for Public Offer Shares” of this prospectus.

### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.04 per Offer Share and is expected to be not less than HK\$1.02 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$2.04 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, amounting to a total of HK\$4,121.16 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$2.04 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

#### 1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

#### 2. Underwriting agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, among other things, the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement has been duly entered into, and if relevant, as a result of the waiver of any conditions given by the Sole Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters)), and not being terminated in accordance with its terms or otherwise. Details of the Underwriting Agreement and grounds for termination are set out in the section headed “Underwriting” in this prospectus. If for any reason, the Price Determination Agreement is not entered into, the Share

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Offer will not proceed. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreement or such later date as the Sponsor (for itself and on behalf of the Lead Manager and the other Underwriters) may in its absolute discretion determine, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

### **THE SHARE OFFER**

The Share Offer comprises the Placing and the Public Offer. A total of 75,000,000 Shares will initially be made available under the Share Offer, of which 67,500,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Placing. The remaining 7,500,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Placing and the Public Offer will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the Placing will be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

### **THE PLACING**

The Company is initially offering, at the Offer Price, 67,500,000 Shares (subject to reallocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 90% of the total number of Shares being initially offered under the Share Offer (before any exercise of the Over-allotment Option), for subscription by way of Placing. The Placing is managed and fully underwritten by the Sole Lead Manager. Pursuant to the Placing, it is expected that the Placing Underwriter or any selling agents which it nominates will, on behalf of the Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Placing Shares to professional, institutional and private investors pursuant to the Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of the Company and its Shareholders taken as a whole. Investors to whom Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The level of indication of interest in the Placing are expected to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on 20 March 2009. The Placing is subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

### OVER-ALLOTMENT OPTION

The Company has granted the Over-allotment Option, exercisable by the Sole Lead Manager to require the Company at any time prior to 4:00 p.m. on the date falling 30 days after the date of this prospectus, to allot and issue up to an aggregate of 11,250,000 additional Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing. The additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the Placing and/or to satisfy the Sole Lead Manager's obligation to return Shares borrowed under the Stock Borrowing Agreement. The Sole Lead Manager may also cover any over-allocations under the Placing through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued under the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent approximately 28.75% of the enlarged issued share capital of the Company immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in English in The Standard and in Chinese in the Hong Kong Economic Times.

Based on an Offer Price of HK\$1.53 per Share (being the mid-point of the Offer Price range between HK\$1.02 per Offer Share and HK\$2.04 per Offer Share), the net proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be approximately HK\$105.8 million. If the Over-allotment Option is exercised in full, the Company will receive additional net proceeds of approximately HK\$16.8 million, after deducting brokerages, commissions and expenses attributable to the exercise of the Over-allotment Option.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Public Offer is open to the public as well as to institutional, professional and private investors in Hong Kong. The Placing involves selective marketing of the Placing Shares by the Placing Underwriter to professional, institutional and private investors. Investors may either apply for the Shares under the Public Offer or indicate an interest for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing. The Offer Shares are not available for subscription by the Directors, chief executive of the Company, existing beneficial owners of the Shares or their respective associates.

### DISCLOSURE MADE PURSUANT TO RULE 10.07(3)

In order to facilitate settlement of over-allocations (if any) in connection with the Placing, the Stock Borrowing Agreement was entered into between AR Management, being a controlling shareholder of the Company, and the Sole Lead Manager, whereby AR Management has agreed with the Sole Lead Manager that, if requested by the Sole Lead Manager, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Sole Lead Manager up to 11,250,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing, if any.

The Stock Borrowing Agreement is in compliance with Rule 10.07(3) of the Listing Rules. Its terms and conditions are as follows:

- (a) such securities lending arrangement with AR Management will only be effected by the Sole Lead Manager for the sole purpose of covering any short position, if any, prior to the exercise of the Over-allotment Option in connection with the Placing;
- (b) the maximum number of Shares to be borrowed from AR Management by the Sole Lead Manager must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option (i.e. 11,250,000 Shares);
- (c) the same number of Shares borrowed must be returned to AR Management or its nominees, as the case may be, not later than three business days following the earlier of (i) the last day on which the Over-allotment Option may be exercised; and (ii) the day on which the Over-allotment Option is exercised in full;
- (d) the securities lending arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- (e) no payment or other benefit will be made to AR Management and/or its shareholders by the Sole Lead Manager or any of the Underwriters under the securities lending arrangement.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE PUBLIC OFFER

The Company is initially offering, at the Offer Price, 7,500,000 Shares (subject to reallocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 10% of the total number of Shares being initially offered under the Share Offer, for subscription under the Public Offer (before any exercise of the Over-allotment Option). The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the application form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 3,750,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of the Public Offer and basis of allotment of the Public Offer Shares (with successful applicants' identification document numbers, where appropriate) are expected to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on Friday, 20 March 2009.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing. Multiple applications or suspected multiple applications or applications for more than 50% of the Public Offer Shares being initially offered for public subscription under the Public Offer (i.e. to apply for more than 3,750,000 Public Offer Shares) are liable to be rejected.

The Public Offer is subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" above.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial public offer prices of the securities. In Hong Kong, the stabilisation price will not exceed the initial public offer price.

In connection with the Share Offer, the Sole Lead Manager, as stabilising manager, or any person acting for it, (on behalf of the Underwriters and not as agent for the Company) may over-allocate Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Sole Lead Manager to conduct any such stabilisation action which, if commenced, may be discontinued at any time at the absolute discretion of the Sole Lead Manager, its affiliates or any person acting for it, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 11,250,000 Shares, which is 15% of the Shares initially available under the Share Offer.

Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Public Offer ("Stabilisation Period"). The Stabilisation Period is expected to expire on Thursday, 9 April 2009, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

During the stabilisation period, the Sole Lead Manager as stabilising manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with any such stabilisation actions as described above, the Sole Lead Manager as stabilising manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

The Sole Lead Manager may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Sole Lead Manager will maintain such a position during the Stabilisation Period, are at the sole discretion of the Sole Lead Manager and is uncertain. In the event that the Sole Lead Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

### RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for in the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 15,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 22,500,000 Shares will be available under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 22,500,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 30,000,000 Shares will be available under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer;

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 30,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 37,500,000 Shares will be available under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer; and
- (d) in each of the above cases, the number of Shares allocated to the Placing will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

In all cases, the additional Shares re-allocated to the Public Offer will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, the Sole Lead Manager (for itself and on behalf of the other Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. If the Placing is not fully subscribed, the Sole Lead Manager, for itself and on behalf of the Underwriters, has the authority to re-allocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Friday, 20 March 2009.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### METHODS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are two ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by either using a **WHITE** or **YELLOW** Application Form or by giving Electronic Application Instructions to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form or by giving Electronic Application Instructions to HKSCC.**

### WHICH APPLICATION FORM TO USE

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

*Note:* Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available to the directors or chief executive of the Company or any of its subsidiaries, the existing beneficial owners of the Shares and the associates of any of them.

### WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Forms, may be obtained during normal business hours from 9:00 a.m. on Thursday, 26 February 2009 until 12:00 noon on Friday, 13 March 2009 from:

**Taifook Securities Company Limited**

25th Floor, New World Tower  
16–18 Queen's Road Central  
Hong Kong

**Access Capital Limited**

Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

**China Merchants Securities (HK) Co., Ltd.**

48th Floor, One Exchange Square  
Central, Hong Kong

**Grand Vinco Capital Limited**

Units 4909–10, 49/F  
The Center  
99 Queen's Road Central  
Hong Kong

<b>HOW TO APPLY FOR PUBLIC OFFER SHARES</b>
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**Mitsubishi UFJ Securities (HK) Capital, Limited**

11/F., AIG Tower  
1 Connaught Road  
Central, Hong Kong

**Guangdong Securities Limited**

Units 2505-06, 25/F  
Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

or any of the following branches of the **Bank of China (Hong Kong) Limited:**

<b>District</b>	<b>Branch</b>	<b>Address</b>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
	King's Road Branch	131-133 King's Road, North Point
Kowloon	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
New Territories	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long
	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on Thursday, 26 February 2009 until 12:00 noon on Friday, 13 March 2009 at the Depository Counter or the Customer Service Centre of HKSCC both located at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms available.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorised attorney, the Company or the Sole Lead Manager as the Company's agent may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

You should note that by completing and submitting an Application Form, among other things:

- (a) you agree with the Company and each of the Shareholders, and the Company agrees with each of the Shareholders, to observe and comply with the Companies Law, the Companies Ordinance, the memorandum and articles of association of the Company;
- (b) you confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;
- (c) you agree that none of the Company, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);
- (d) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up, or indicate an interest for, any Placing Shares nor otherwise participated in the Placing; and
- (e) you agree to disclose to the Company, and/or the share registrars, receiving bankers, the Sole Lead Manager, the Underwriters and their respective advisers and agents any personal data which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signature will be accepted.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (a) **if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.
- (b) **if the application is made by an individual CCASS Investor Participant:**
- (i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
  - (ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.
- (c) **if the application is made by a joint individual CCASS Investor Participant:**
- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and
  - (ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.
- (d) **if the application is made by a corporate CCASS Investor Participant:**
- (i) the Application Form must contain the CCASS Investor Participant's Company name and the Hong Kong business registration number; and
  - (ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorised attorney, the Company and the Sole Lead Manager as its agent, may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Sole Lead Manager in its capacity as an agent of the Company has full discretion to reject or accept any application, in full or in part, without assigning any reasons.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

### HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

#### General

CCASS Participants may give Electronic Application Instructions to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give Electronic Application Instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input Electronic Application Instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
2nd Floor, Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give Electronic Application Instructions via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to the Company and the Company’s Hong Kong branch share registrar and transfer office.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given Electronic Application Instructions to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
  - **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input Electronic Application Instructions on that person's behalf or that person's CCASS Investor Participant stock account;
  - **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given Electronic Application Instructions or any lesser number;
  - **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;
  - (if the Electronic Application Instructions are given for that person's own benefit) **declares** that only one set of Electronic Application Instructions has been given for that person's benefit;
  - (if that person is an agent for another person) **declares** that that person has only given one set of Electronic Application Instructions for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
  - **understands** that the above declaration will be relied upon by the Company, the Directors and the Sole Lead Manager in deciding whether or not to make any allotment of the Public Offer Shares in respect of the Electronic Application Instructions given by that person and that that person may be prosecuted if he makes a false declaration;
  - **authorises** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's Electronic Application Instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's Electronic Application Instructions or instructing that person's broker or custodian to give Electronic Application Instructions on that person's behalf;
- **agrees** that the Company, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to the Company, its registrars, receiving banker, advisor and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to Electronic Application Instructions given by that person is irrevocable before the expiration of the fifth Business Day after the opening of the application lists or such later date as the application lists may open as described under "Effect of bad weather on the opening of the application lists" below, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth Business Day after the opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth Business Day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to Electronic Application Instructions given by that person is irrevocable, save as provided for in this prospectus;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's Electronic Application Instruction can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of Electronic Application Instructions relating to the Public Offer Shares;
- **agrees** with the Company, for itself and for the benefit of each of the Shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each of the Shareholders, with each CCASS Participant giving Electronic Application Instructions) to observe and comply with the Companies Law, the memorandum and articles of association of the Company;
- **agrees** with the Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

### Effect of giving Electronic Application Instructions to HKSCC

By giving Electronic Application Instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- **instructed and authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Public Offer Shares on your behalf;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- **instructed and authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;
- **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

### **Minimum subscription amount and permitted multiples**

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give Electronic Application Instructions in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any number of the Public Offer Shares will be considered and any such application is liable to be rejected.

### **Multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any Electronic Application Instructions to make an application for Public Offer Share given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under “How many applications you may make for the Public Offer Shares” below.

### **Allocation of the Public Offer Shares**

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives Electronic Application Instructions or each person for whose benefit each such instruction is given will be treated as an applicant.

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, Electronic Application Instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

### Warning

The subscription of Public Offer Share by giving Electronic Application Instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sponsor, the Sole Lead Manager and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares. To ensure that CCASS Investor Participants can give their Electronic Application Instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their Electronic Application Instructions to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of Electronic Application Instructions, they should either (i) submit the **WHITE** or **YELLOW** Application Form (as appropriate), or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Friday, 13 March 2009 or such later time as described under the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

### HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

There is only one situation where you may make more than one application for the Public Offer Shares. You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominee(s)" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed.**

## HOW TO APPLY FOR PUBLIC OFFER SHARES

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving Electronic Application Instructions to HKSCC, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through giving Electronic Application Instructions to HKSCC;
- if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through giving Electronic Application Instructions to HKSCC, and that you are duly authorised to sign the relevant Application Form or give Electronic Application Instructions as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected. All of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS;
- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by way of giving Electronic Application Instructions to HKSCC via CCASS;
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS for more than 100% of the Public Offer Shares initially available in either pool A or pool B for subscription under the Public Offer; or
- have applied for or taken up, or indicated an interest for or have been or will be placed Offer Shares under the Placing and make application on **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees on Electronic Application Instructions) or you have applied for or taken up or otherwise indicated an interest for Offer Shares under the Placing. If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise "statutory control" over that company,

then the application will be treated as being for your benefit.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

An **unlisted company** means a company with no equity securities listed on the Stock Exchange.

**Statutory control** means you:

- control the composition of the board of directors of that company; and/or
- control more than half the voting power of that company; and/or
- hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$2.04 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every 2,000 Public Offer Shares, you will pay HK\$4,121.16. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 13 March 2009. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$2.04 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed "Despatch/collection of share certificates and refund of application money".

The Company will not issue temporary documents of title, evidence of title or receipt for payment.

### TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

#### WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Friday, 13 March 2009, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists".

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of the Bank of China (Hong Kong) Limited listed under the paragraph headed "Where to collect the Application Forms" above at the following times:

Thursday, 26 February 2009	–	9:00 a.m. to 5:00 p.m.
Friday, 27 February 2009	–	9:00 a.m. to 5:00 p.m.
Saturday, 28 February 2009	–	9:00 a.m. to 1:00 p.m.
Monday, 2 March 2009	–	9:00 a.m. to 5:00 p.m.
Tuesday, 3 March 2009	–	9:00 a.m. to 5:00 p.m.
Wednesday, 4 March 2009	–	9:00 a.m. to 5:00 p.m.
Thursday, 5 March 2009	–	9:00 a.m. to 5:00 p.m.
Friday, 6 March 2009	–	9:00 a.m. to 5:00 p.m.
Saturday, 7 March 2009	–	9:00 a.m. to 1:00 p.m.
Monday, 9 March 2009	–	9:00 a.m. to 5:00 p.m.
Tuesday, 10 March 2009	–	9:00 a.m. to 5:00 p.m.
Wednesday, 11 March 2009	–	9:00 a.m. to 5:00 p.m.
Thursday, 12 March 2009	–	9:00 a.m. to 5:00 p.m.
Friday, 13 March 2009	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 13 March 2009.

### Electronic Application Instructions

CCASS Clearing/Custodian Participants can input Electronic Application Instructions at the following times on the following dates:

Thursday, 26 February 2009	–	9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 27 February 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Saturday, 28 February 2009	–	8:00 a.m. to 1:00 p.m. <sup>(1)</sup>
Monday, 2 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, 3 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 4 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Thursday, 5 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 6 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Saturday, 7 March 2009	–	8:00 a.m. to 1:00 p.m. <sup>(1)</sup>
Monday, 9 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, 10 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 11 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Thursday, 12 March 2009	–	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 13 March 2009	–	8:00 a.m. <sup>(1)</sup> to 12:00 noon

*Note (1):* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input Electronic Application Instructions from 9:00 a.m. on Thursday, 26 February 2009 until 12:00 noon on Friday, 13 March 2009 (24 hours daily, except the last application date).

The latest time for inputting your Electronic Application Instructions (if you are a CCASS Participant) is 12:00 noon on Friday, 13 March 2009 or, if the Application Lists are not open on that day, by the time and date stated under “Effects of bad weather on the opening of the application lists” below.

### **Application Lists**

**Subject to the events as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Friday, 13 March 2009.**

**No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.**

### **EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS**

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 13 March 2009.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

### **CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES**

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following two situations in which the Public Offer Shares will not be allocated to you:

#### **If your application is revoked**

By depositing the **WHITE** or **YELLOW** Application Form or submitting Electronic Application Instructions to HKSCC, you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf on or before the expiration of the fifth Business Day after the time of the opening of the application lists.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your Electronic Application Instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth Business Day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth Business Day after time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

### **Full discretion of the Company or its agents to reject or accept you application**

The Company and its agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

### **If your application is rejected**

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares; and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer; or

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares; or
- the Company or any of its agents believes that by accepting your application, the Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 50% of the Public Offer Shares initially offered for public subscription.

### **If your application is not accepted**

Your application (including the part of an application made by HKSCC Nominees acting upon Electronic Application Instructions) will not be accepted if either:

- the Underwriting Agreement does not become unconditional; or
- the Underwriting Agreement is terminated in accordance with its terms and conditions; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.

### **If the allotment of Public Offer Shares is void**

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give Electronic Application Instructions or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within 3 weeks of the closing of the application lists.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Friday, 20 March 2009 in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at [www.asiacassava.com](http://www.asiacassava.com) and the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving Electronic Application Instructions to HKSCC will be made available at the times and dates and in the manner specified below:

- on the website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) on a 24-hour basis from 8:00 a.m. on Friday, 20 March 2009 to 12:00 midnight on Thursday, 26 March 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- on the Company's website at [www.asiacassava.com](http://www.asiacassava.com) and the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) on Friday, 20 March 2009 onwards;
- from the Company's Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 369-18-488 between 9:00 a.m. and 6:00 p.m. from Friday, 20 March 2009 to Wednesday, 25 March 2009 (excluding Saturday, Sunday and public holidays); and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from Friday, 20 March 2009 to Monday, 23 March 2009 at the addresses set out in the paragraph headed "Where to collect the Application Forms".

### DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

**No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 13 March 2009. The Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of despatch of refund cheque).**

Any certificate relating to the Offer Shares issued by the Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title at 8:00 a.m. on the Listing Date if the Public Offer has become unconditional in all aspects and the Underwriting Agreement has not been terminated in accordance with its terms on or before 8:00 a.m. on the Listing Date.

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Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the SFC transaction levy, will be refunded, without interest if:

- your application is rejected, not accepted or only accepted in part;
- the Offer Price as finally determined is less than the maximum indicative Offer Price;
- the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer" in this prospectus;
- any application is revoked or any allocation pursuant thereto has become void; or
- any of the reasons set forth under "Circumstances in which you will not be allotted the Public Offer Shares".

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

If you have given Electronic Application Instructions, your refund (if any) will be credited to your designated bank account or the designated bank account of the designated CCASS Participant through which you are applying on Friday, 20 March 2009. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give Electronic Application Instructions on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 20 March 2009 or in the activity statement showing the amount of refund money credited to your designated bank account made available to you by HKSCC immediately after the credit of refund money to your bank account.

You will receive one share certificate for all the Public Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms or by Electronic Application Instructions where the share certificate will be deposited into CCASS as described below under "Deposit of share certificates into CCASS" below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

- for applicants on **WHITE** Application Forms: (i) share certificate for all the Public Offer Shares applied for, if your application is wholly successful; or (ii) share certificate for the number of Public Offer Shares successfully applied for, if your application is partially successful; and/or

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excessive application money for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price as determined and the maximum indicative Offer Price, payable upon application, in the event that the Offer Price is lower than the maximum indicative Offer Price, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the transaction levy of 0.004% imposed by the SFC, without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the firstnamed applicant, provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of the Company and the Sponsor, applications for certain small denominations of the Public Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker’s cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

Subject as mentioned below, refund cheques (if any) and share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on Friday, 20 March 2009. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker’s cashier order(s).

If you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque (where applicable) and/or (for applicants using **WHITE** Application Forms) share certificate (where applicable) from the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque and/or (where applicable) share certificate from the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong on Friday, 20 March 2009 from 9:00 a.m. to 1:00 p.m. or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who opts for collection in person, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorised representative bearing a letter of authorization from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's Hong Kong branch share registrar and transfer office. If you do not collect your share certificate and/or refund cheque during the above period, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for less than 1,000,000 Public Offer Shares or if you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated in your Application Form that you wish to collect your share certificate (where applicable) and/or refund cheque in person, the share certificate and/or refund cheque (if applicable) will be sent to the address as stated on your Application Form on Friday, 20 March 2009 or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques by ordinary post and at your own risk.

### **Deposit of share certificates into CCASS**

If you apply for the Public Offer Shares using a **YELLOW** Application Form or by giving Electronic Application Instructions, and your application is wholly or partially successful, your share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you at the close of business on Friday, 20 March 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

We expect to publish the application results of CCASS Investor Participants using **YELLOW** Application Form and the application results of CCASS Participants applying by giving Electronic Application Instructions (and where the CCASS Participant is a broker or custodian, we shall include information relating to the beneficial owner, the Hong Kong identity card numbers, passport numbers or other identification code (Hong Kong business registration number for corporations), if supplied) on Friday, 20 March 2009. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 20 March 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Applicants applying by giving Electronic Application Instructions can also check the result of application via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System immediately after the credit of the Public Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

### COMMENCEMENT OF DEALINGS IN THE SHARES

The application for the Offer Shares will commence on Thursday, 26 February 2009 up to Friday, 13 March 2009 for a total of fourteen calendar days (excluding Sundays), being longer than normal market practice of about four Business Days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 20 March 2009. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 23 March 2009. Shares will be traded in board lots of 2,000 Shares.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Stock Exchange or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements, as such arrangements will affect their rights and interests.

*The following is a text of a report prepared for the sole purpose of incorporation in this prospectus, received from the auditors and reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong:*



18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

26 February 2009

The Board of Directors  
Asia Cassava Resources Holdings Limited  
Taifook Capital Limited

Dear Sirs,

We set out below our report on the financial information of Asia Cassava Resources Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2006, 2007 and 2008 and the five-month period ended 31 August 2008 (the "Relevant Periods") and the five-month period ended 31 August 2007 (the "31 August 2007 Financial Information"), prepared on the basis of presentation set forth in Section II below, for inclusion in the prospectus of the Company dated 26 February 2009 (the "Prospectus"), in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange").

The Company was incorporated in the Cayman Islands on 8 May 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment holding. The Group is principally engaged in the trading of dried cassava in Thailand, Hong Kong, Macau and Mainland China. On 18 February 2009, the Company became the holding company of the subsidiaries now comprising the Group pursuant to the Corporate reorganisation (the "Group Reorganisation") as set out in Appendix V to the Prospectus.

The Company had not carried on any business since the date of its incorporation, save for the acquisition of the subsidiaries pursuant to the Group Reorganisation to the Prospectus. As at the date of this report, no audited financial statements have been prepared for the Company since the date of its incorporation as the Company has not been involved in any significant business transactions other than the Reorganisation. We have performed an independent review in all relevant transactions of the Company in relation to the Reorganisation for the period since the date of incorporation to the date of this report. The Group has adopted 31 March as its financial year end date.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong). The particulars of the subsidiaries are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Artwell Tapioca Limited (Note (a))	Hong Kong 18 March 2004	HK\$10,000	-	100	Trading of dried cassava chips
Artsun International Macao Limited (Note (b))	Macau 28 April 2006	MOP100,000	-	100	Trading of dried cassava chips
Rizhao Yushun Cassava Co. Ltd. (Note (c))	People's Republic of China (the "PRC") 19 July 2001	US\$1,260,000	-	100	Trading of dried cassava chips
Alush (Thailand) Co. Ltd. (Note (d))	Thailand 3 January 2001	THB15,000,000	-	100	Procurement and sale of dried cassava chips
Global Property Connection Co. Ltd. (Note (e))	Thailand 16 January 2007	THB250,000	-	100	Procurement and sale of dried cassava chips
Artwell Group (Cambodia) Limited (Note (f))	Cambodia 28 March 2008	Riel20,000,000	-	100	Procurement of fresh cassava roots and procurement and sale of dried cassava chips
Art Ocean Development Limited (Note (g))	British Virgin Islands 5 February 2008	US\$1	-	100	Holding of trademarks
Art Rich International Limited (Note (g))	British Virgin Islands 11 January 2008	US\$1	-	100	Investment holding
All High Holding Limited (Note (g))	British Virgin Islands 6 February 2008	US\$1	-	100	Investment holding and provision of shipping agency service

Company name	Place and date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Alternative View Investments Limited (Note (g))	British Virgin Islands 18 August 1999	US\$100	100	-	Investment holding and property investment
Artwell Enterprises Limited (Note (a))	Hong Kong 26 July 1983	HK\$15,000,000	-	100	Investment holding and property investment
Art Well Properties Limited (Note (h))	Hong Kong 3 September 2004	HK\$100	-	100	Property investment
Fine Success Enterprise Limited (Note (i))	Hong Kong 17 September 2004	HK\$10	-	100	Property investment
Wide Triumph Investment Limited (Note (j))	Hong Kong 3 September 2004	HK\$10,000	-	100	Property investment

The English name of Rizhao Yushun Cassava Co. Ltd. is directly translated from its Chinese name as no English names have been registered.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

*Notes:*

- (a) The statutory financial statements of these companies for the year ended 31 March 2006 were audited by CCIF Certified Public Accountants Limited and the two years ended 31 March 2007 and 2008 were audited by CCP Certified Public Accountants Limited.
- (b) The financial year end of Artsun International Macao Limited is 31 December. The statutory financial statements for the period from 28 April 2006 (date of incorporation) to 31 December 2006 and the year ended 31 December 2007 were audited by CSC and Associates.
- (c) The financial year end of Rizhao Yushun Cassava Co. Ltd. is 31 December. The statutory financial statements for the year ended 31 December 2005 were audited by Rizhao Yitong Certified Public Accountants Ltd. The statutory financial statements for the two years ended 31 December 2006 and 2007 were audited by Rizhao Dongye United Certified Public Accountants.

- (d) The financial year end of Alush (Thailand) Co. Ltd. ("Alush Thailand") is 31 December. The statutory financial statements for the three years ended 31 December 2005, 2006 and 2007 were audited by Brio Professional Audit Firm.

The following persons were the registered holders of the shares of Alush Thailand ("Alush Shares") in the following percentages prior to the Reorganisation:

Name	No. of shares	Percentage (approximately)
Mr. Chu Ming Chuan ("Mr. Chu")	43,500	29%
Mr. Chu Ming Kin ("Mr. MK Chu")	15,000	10%
Ms. Liu Yuk Ming ("Ms. Liu")	15,000	10%
Mr. Jirasak Chuenchujitcharatkun ("Mr. Jirasak")	76,464	50.976%
Miss Watcharin Kiatruangchai ("Ms. Watcharin")	12	0.008%
Miss Tatsana Iamkul ("Ms. Tatsana")	12	0.008%
Miss Punyanuch Maturos ("Ms. Punyanuch")	12	0.008%
	<hr/>	
Total	150,000	100%

Alush Thailand is principally engaged in the procurement and sale of dried cassava chips.

The above shareholding structure of Alush Thailand prior to the Reorganisation was effected through loan agreements and share pledge agreements pursuant to which Mr. Chu has lent funds to each of Mr. MK Chu, Ms. Liu, Mr. Jirasak, (collectively, the "Alush Shareholders") to invest in Alush Thailand and as security for the repayment of the loan, these shareholders have agreed to pledge their respective shares in favour of Mr. Chu, by virtue of which Mr. Chu could enforce the pledge in an event of default in the loan repayment. Each of the Alush Shareholders has also entered into a letter of undertaking to, among other things, assign and direct all dividends and special distribution paid and payable by Alush Thailand in relation to their Alush Shares, and all distribution of assets made or to be made by Alush Thailand, solely to Mr. Chu. Each of the Alush Shareholders has entered into a proxy to grant to Mr. Chu the powers to, among other things, cast votes in all shareholders' meetings of Alush Thailand for any proposed resolution. The loan agreements, the share pledge agreements, the proxies and the letters of undertaking between Mr. Chu and the Alush Shareholders are collectively named as the "Alush Arrangements".

Through entering into the Alush Arrangements, together with his shareholding, Mr. Chu has effective control of over 99.976% of shares in Alush Thailand.

On 20 March 2008, Alternative View Investments Limited ("Alternative View"), Art Rich International Limited ("Art Rich"), Artwell Tapioca Limited ("Artwell Tapioca"), Artwell Enterprises Limited ("Artwell Enterprises"), Artsun International Macao Limited ("Artsun Macau"), Art Ocean Development Limited ("Art Ocean") and All High Holding Limited ("All High") collectively acquired the entire issued share capital of Alush Thailand from Mr. Chu and the Alush Shareholders, respectively, as follows:

- (i) Art Rich, acquired from Mr. Chu 43,500 Alush Shares at a consideration of THB4,350,000.
- (ii) Mr. Chu, as the lender for a principal amount of THB7,646,400 under the loan agreement between him and Mr. MK Chu (the "MK Chu Loan Agreement"), Mr. MK Chu, as the vendor, and Art Rich, as the purchaser, entered into a tri-party deed of assignment and set-off (the "MK Chu Deed"), pursuant to which in consideration for an amount of THB7,646,400 received from Art Rich, Mr. Chu agreed to assign all his rights, titles, benefits and interests under the MK Chu Loan Agreement to Art Rich, where Mr. MK Chu agreed to sell his 15,000 Alush Shares to Art Rich for a consideration of THB1,500,000, to be set off against the debt originally owed by Mr. MK Chu to Mr. Chu under the MK Chu Loan Agreement and now assigned to Art Rich under the MK Chu Deed. As such, Art Rich acknowledged that the outstanding monies payable under the MK Chu Loan Agreement

have been fully and finally settled and satisfied by the amount of the sales consideration under the MK Chu Deed, where Mr. MK Chu acknowledged that the sales consideration have been fully and finally settled and satisfied by the amount of the debt under the MK Chu Loan Agreement and Mr. MK Chu transferred the 76,464 Alush Shares to Art Rich. As a result, Art Rich became the legal and beneficial owner of the 76,464 Alush Shares originally owned by Mr. Jirasak.

- (iii) Mr. Chu, as the lender for a principal amount of THB1,500,000 under the loan agreement between him and Ms. Liu (the "Liu Loan Agreement"), Ms. Liu, as the vendor, and Art Rich, as the purchaser, entered into a tri-party deed of assignment and set-off (the "Liu Deed"), pursuant to which in consideration for an amount of THB1,500,000 received from Art Rich, Mr. Chu agreed to assign all his rights, titles, benefits and interests under the Liu Loan Agreement to Art Rich, where Ms. Liu sold her 15,000 Alush Shares at a consideration of THB1,000, to be set off against the debt originally owed by Ms. Liu to Mr. Chu under the Liu Loan Agreement and now assigned to Art Rich under the Liu Deed. As such, Art Rich acknowledged that the outstanding monies payable under the Liu Loan Agreement has been fully and finally settled and satisfied by the amount of the sales consideration under the Liu Deed, where Ms. Liu acknowledged that the sales consideration have been fully and finally settled and satisfied by the amount of the debt under the Liu Loan Agreement and Ms. Liu transferred the 15,000 Alush Shares to Art Rich. As a result, Art Rich became the legal and beneficial owner of the 15,000 Alush Shares originally owned by Ms. Liu.
- (iv) Mr. Chu, as the lender for a principal amount of THB7,646,400 under the loan agreement between him and Mr. Jirasak (the "Jirasak Loan Agreement"), Mr. Jirasak, as the vendor, and Art Rich, as the purchaser, entered into a tri-party deed of assignment and set-off (the "Jirasak Deed"), pursuant to which in consideration for an amount of THB7,646,400 received from Art Rich, Mr. Chu agreed to assign all his rights, titles, benefits and interests under the Jirasak Loan Agreement to Art Rich, where Mr. Jirasak agreed to sell his 76,464 Alush Shares to Art Rich at a consideration of THB7,646,400, to be set off against the debt originally owed by Mr. Jirasak to Mr. Chu under the Jirasak Loan Agreement and now assigned to Art Rich under the Jirasak Deed. As such, Art Rich acknowledged that the outstanding monies payable under the Jirasak Loan Agreement have been fully and finally settled and satisfied by the amount of the sales consideration under the Jirasak Deed, where Mr. Jirasak acknowledged that the sales consideration has been fully and finally settled and satisfied by the amount of the debt under the Jirasak Loan Agreement and Mr. Jirasak transferred the 76,464 Alush Shares to Art Rich. As a result, Art Rich became the legal and beneficial owner of the 76,464 Alush Shares originally owned by Mr. Jirasak.
- (v) Art Rich, acquired from Ms. Tatsana 10 Alush Shares at a consideration of THB1,000.
- (vi) Art Rich, acquired from Ms. Watcharin 10 Alush Shares at a consideration of THB1,000.
- (vii) Art Rich, acquired from Ms. Punyanuch 10 Alush Shares at a consideration of THB1,000.
- (viii) Artwell Tapioca, acquired from Ms. Tatsana one Alush Share at a consideration of THB100.
- (ix) Artsun Macao, acquired from Ms. Tatsana one Alush Share at a consideration of THB100.
- (x) Art Ocean, acquired from Ms. Watcharin one Alush Share at a consideration of THB100.
- (xi) Alternative View, acquired from Ms. Punyanuch one Alush Share at a consideration of THB100.
- (xii) All High, acquired from Ms. Punyanuch one Alush Share at a consideration of THB100.
- (xiii) Artwell Enterprises, acquired from Ms. Watcharin one Alush Share at a consideration of THB100.

- (xiv) As a result of the above arrangements and share transfers, the seven registered holders of Alush Thailand transferred their respective interests of Alush Thailand to Art Rich, Artwell Tapioca, Artwell Enterprises, Alternative View, Artsun Macao, Art Ocean and All High, respectively, and the shareholding structure of Alush Thailand is shown below:

Name	No. of shares	Percentage <i>(approximately)</i>
Art Rich	149,994	99.994%
Artwell Tapioca	1	0.001%
Artwell Enterprises	1	0.001%
Alternative View	1	0.001%
Artsun Macao	1	0.001%
Art Ocean	1	0.001%
All High	1	0.001%

As a result, Alush Thailand is accounted for as a subsidiary of the Group.

- (e) The financial year end of Global Property Connection Co. Ltd. ("Global Property") is 31 December. The statutory financial statements for the period from 16 January 2007 (date of incorporation) to 31 December 2007 were audited by Brio Professional Audit Firm.

Immediately prior to the Reorganisation, the following persons were beneficially interested in and/or the registered holders (the "Global Property Shareholders") of the issued shares of Global Property ("GP Shares") in the following percentages:

Name	No. of shares	Percentage <i>(approximately)</i>
Mr. Aja Saepaan ("Mr. Aja")	5,100	51%
Mr. Su Nao Re ("Mr. Su")	4,895	48.95%
Ms. Tatsana	1	0.01%
Ms. Punyanuch	1	0.01%
Ms. Kwanmuang Iadsoi ("Ms. Kwanmuang")	1	0.01%
Mrs. Viraporn Onplee ("Mrs. Viraporn")	1	0.01%
Ms. Watcharin	1	0.01%
Total	<u>10,000</u>	<u>100%</u>

The shares registered in the name of Mr. Aja and Mr. Su prior to the Reorganisation were effected through loan agreements and share pledge agreements pursuant to which Mr. Chu has lent funds of THB122,375 and THB122,750 to Mr. Aja and Mr. Su respectively. As security for the repayment of the loans to Mr. Chu, Mr. Aja and Mr. Su have agreed to pledge their shares in favour of Mr. Chu, by virtue of which Mr. Chu could enforce the pledge in an event of default in the loan repayment. Each of Mr. Aja and Mr. Su has also entered into a letter of undertaking to, among other things, assign and direct all dividends and special distribution paid and payable by Global Property in relation to their GP Shares, and all distribution of assets made or to be made by Global Property, solely to Mr. Chu. Each of Mr. Aja and Mr. Su has entered into a proxy to grant to Mr. Chu the powers to, among other things, cast vote in all shareholders' meeting of Global Property for any proposed resolution. The loan agreements, the share pledge agreements, the proxies and the letters of undertaking between Mr. Chu and Mr. Aja and Mr. Su are collectively named as the "GP Arrangements".

Through entering into the GP Arrangements together with his shareholding, Mr. Chu has effective control of over 99.95% of Global Property.

On 26 March 2008, Art Rich acquired the GP Shares from Mr. Su and Mr. Chu assigned the loan agreement, share ledge, proxy and undertaking entered into between him and Mr. Aja to Art Rich, Artwell Tapioca, Artwell Enterprises, Alternative View, Art Ocean and All High collectively acquired the entire issued share capital of Global Property from the Global Property Shareholders, as follows:

- (i) Mr. Chu, as the lender under the loan agreement between him and Mr. Su (the "Su Loan Agreement"), Mr. Su, as the vendor and Art Rich, as the purchaser entered into a tri-party deed of assignment and set-off (the "Su Deed"), pursuant to which in consideration for an amount of THB122,375 received from Art Rich, Mr. Chu agreed to assign all his rights, titles, benefits and interests under the Su Loan Agreement to Art Rich, where Mr. Su agreed to sell his 4,895 GP Shares to Art Rich at a consideration of THB122,375, to be set off against the debt originally owed by Mr. Su to Mr. Chu under the Su Loan Agreement and now assigned to Art Rich under the Su Deed. As such, Art Rich acknowledged that the outstanding monies payable under the Su Loan Agreement have been fully and finally settled and satisfied by the amount of the sales consideration under the Su Deed, where Mr. Su acknowledged that the sales consideration have been fully and finally settled and satisfied by the amount of the debt under the Su Loan Agreement and Mr. Su transferred the 4,895 GP Shares to Art Rich. As a result, Art Rich became the legal and beneficial owner of the 4,895 GP Shares originally registered under the name of Mr. Su.
- (ii) In consideration of THB127,500 received from Art Rich, Mr. Chu assigned the loan agreement, the share pledge, the undertaking and the proxy entered into between Mr. Chu and Mr. Aja to Art Rich, as a result, Art Rich is entitled to all Mr. Chu's rights, titles, benefits and interests in the loan agreement, share pledge, the undertaking and the proxy (the "Art Rich Aja Arrangements").
- (iii) Artwell Tapioca acquired one GP Share from Ms. Tatsana at a consideration of THB25.
- (iv) Artwell Enterprises acquired one GP Share from Mrs. Viraporn at a consideration of THB25.
- (v) Alternative View acquired one GP Share from Ms. Kwanmuang at a consideration of THB25.
- (vi) Art Ocean acquired one GP Share from Ms. Watcharin at a consideration of THB25.
- (vii) All High acquired one GP Share from Ms. Punyanuch at a consideration of THB25.

- (viii) As a result of the above arrangements and share transfers, except for Mr. Aja, the Global Property Shareholders transferred their respective interests of Global Property to Art Rich, Artwell Tapioca, Artwell Enterprises, Alternative View, Art Ocean and All High, respectively, and the shareholding structure of Global Property after the share transfer is as follows:

Name	No. of shares	Percentage <i>(approximately)</i>
Art Rich	9,995	99.95% (among which, as to 51% is registered under the name of Mr. Aja and controlled by Art Rich through the Art Rich Aja Arrangements)
Alternative View	1	0.01%
Artwell Tapioca	1	0.01%
Artwell Enterprises	1	0.01%
Art Ocean	1	0.01%
All High	1	0.01%

As a result, Global Property is accounted for as a subsidiary of the Group.

- (f) The financial year end of Artwell Group (Cambodia) Limited is 31 December. No statutory financial statements have been prepared since its incorporation on 26 March 2008.
- (g) No statutory audited financial statements have been prepared as these companies are not subject to any statutory audit requirements under their jurisdictions of incorporation.
- (h) The statutory financial statements for the year ended 31 March 2006 were audited by Kelvin Chong & Partners Certified Public Accountants. The statutory financial statements for the two years ended 31 March 2007 and 2008 were audited by Ernst & Young.

The auditors' report in the financial statements of Art Well Properties Limited for the period from 3 September 2004 (date of incorporation) to 31 March 2006 was qualified as the financial statements covered a period in excess of that permitted by Section 122 of the Hong Kong Companies Ordinance. As the financial statements of Art Well Properties Limited have been included in the Group's combined financial statements for the Relevant Periods, which is not subject to the statutory audit requirements in accordance with the Hong Kong Companies Ordinance, we are satisfied that the qualification has no impact on the combined state of affairs of the Group as at 31 March 2006, 2007 and 2008 and 31 August 2008 and the combined results and cash flows of the Group for the Relevant Periods.

- (i) The financial year end of Fine Success Enterprise Limited is 31 December. The statutory financial statements for the two years ended 31 December 2005 and 2006 were audited by Kelvin Chong & Partners Certified Public Accountants. The statutory financial statements for the financial year ended 31 December 2007 were audited by Ernst & Young.
- (j) The statutory financial statements of Wide Triumph Investment Limited for the two years ended 31 March 2006 and 2007 were audited by Jupiter Lee & Co. Certified Public Accountants (Practising). The statutory financial statements for the financial year ended 31 March 2008 were audited by Ernst & Young.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the three years ended 31 March 2006, 2007 and 2008 and the five-month period ended 31 August 2008 (the "Combined Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for the Relevant Periods, and the combined balance sheets of the Group as at 31 March 2006, 2007 and 2008 and 31 August 2008 together with the notes thereto (collectively the "Financial Information") have been prepared based on the Combined Financial Statements on the basis set out in note 2 under Section II "Notes to Financial Information" below, for the purpose of preparing this report for inclusion in the Prospectus.

The directors are responsible for the preparation and the true and fair presentation of the Financial Information and the contents of the Prospectus in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied, that the judgements and estimates made are prudent and reasonable.

It is our responsibility to form an independent opinion on the Financial Information, based on our audit, and to report our opinion to you.

#### **Procedures performed in respect of the Relevant Periods**

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

**Procedures performed in respect of the 31 August 2007 Financial Information**

For the purpose of this report, we have also performed a review of the 31 August 2007 Financial Information for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on such information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion on the 31 August 2007 Financial Information.

**Opinion in respect of the Relevant Periods**

In our opinion, the Financial Information prepared on the basis of presentation set out in note 2 under Section II "Notes to Financial Information" below gives, for the purpose of this report, a true and fair view of the combined results and combined cash flows of the Group for each of the Relevant Periods and of the combined state of affairs of the Group as at 31 March 2006, 2007 and 2008 and 31 August 2008.

**Review conclusion in respect of the 31 August 2007 Financial Information**

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 August 2007 Financial Information does not give a true and fair view of the combined results and combined cash flows of the Group for the five-month period ended 31 August 2007 in accordance with HKFRSs.

## I. FINANCIAL INFORMATION

## Combined Income Statements

	Notes	Year ended 31 March			Five-month period ended 31 August	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (unaudited)	2008 HK\$'000
REVENUE	6	740,850	818,303	903,560	273,724	334,507
Cost of sales		<u>(573,484)</u>	<u>(619,839)</u>	<u>(665,159)</u>	<u>(205,971)</u>	<u>(260,442)</u>
Gross profit		167,366	198,464	238,401	67,753	74,065
Other income and gains	6	3,063	10,907	25,109	19,770	716
Fair value gain/(loss) on investment properties		1,060	3,351	9,070	600	(8,749)
Deficit on revaluation of property, plant and equipment		-	-	-	-	(459)
Selling and distribution costs		(118,140)	(138,782)	(124,529)	(42,754)	(45,960)
Administrative expenses		(12,842)	(14,791)	(16,993)	(5,378)	(6,216)
Finance costs	7	<u>(15,218)</u>	<u>(15,004)</u>	<u>(14,984)</u>	<u>(5,660)</u>	<u>(6,125)</u>
PROFIT BEFORE TAX	8	25,289	44,145	116,074	34,331	7,272
Tax	10	<u>(10,008)</u>	<u>(10,075)</u>	<u>(14,215)</u>	<u>(6,604)</u>	<u>(2,456)</u>
PROFIT FOR THE YEAR/PERIOD		<u>15,281</u>	<u>34,070</u>	<u>101,859</u>	<u>27,727</u>	<u>4,816</u>
DIVIDENDS	11	<u>-</u>	<u>22,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12					
- Basic (HK cents)		<u>6.79</u>	<u>15.14</u>	<u>45.27</u>	<u>12.32</u>	<u>2.14</u>
- Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## Combined Balance Sheets

	Notes	As at 31 March			As at
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	31 August 2008 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	8,179	9,214	21,810	18,712
Investment properties	14	19,000	29,900	48,199	39,450
Prepaid land lease payments	15	10,962	-	-	-
Available-for-sale investment	16	10,604	15,623	-	-
Deferred tax assets	24	4,129	4,129	5,605	2,915
Total non-current assets		<u>52,874</u>	<u>58,866</u>	<u>75,614</u>	<u>61,077</u>
CURRENT ASSETS					
Inventories	17	157,411	140,807	59,523	53,693
Bills receivable	18	71,963	62,084	27,798	21,492
Prepayments, deposits and other receivables	19	4,350	5,006	12,839	14,357
Due from related companies	31	7,623	33,131	43,961	44,096
Due from a director	31	52,479	45,692	-	26,622
Cash and cash equivalents	20	24,257	55,301	45,340	8,787
Total current assets		<u>318,083</u>	<u>342,021</u>	<u>189,461</u>	<u>169,047</u>
CURRENT LIABILITIES					
Trade, other payables and accruals	21	87,059	46,555	12,503	14,510
Due to a director	31	-	-	12,085	-
Due to related companies	31	5,059	-	740	753
Tax payable		11,473	18,835	26,880	21,003
Interest-bearing bank borrowings	22	233,720	283,766	121,634	101,787
Finance lease payable	23	-	128	128	115
Total current liabilities		<u>337,311</u>	<u>349,284</u>	<u>173,970</u>	<u>138,168</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>(19,228)</u>	<u>(7,263)</u>	<u>15,491</u>	<u>30,879</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,646</u>	<u>51,603</u>	<u>91,105</u>	<u>91,956</u>

	Notes	As at 31 March			As at
		2006	2007	2008	31 August
		HK\$'000	HK\$'000	HK\$'000	2008
					HK\$'000
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	22	-	3,952	8,009	7,762
Finance lease payable	23	-	168	40	-
Deferred tax liabilities	24	2,468	3,313	5,530	3,622
Total non-current liabilities		<u>2,468</u>	<u>7,433</u>	<u>13,579</u>	<u>11,384</u>
Net assets		<u>31,178</u>	<u>44,170</u>	<u>77,526</u>	<u>80,572</u>
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	25	15,546	15,643	18,229	18,229
Reserves	26	<u>15,632</u>	<u>28,527</u>	<u>59,297</u>	<u>62,343</u>
Total equity		<u>31,178</u>	<u>44,170</u>	<u>77,526</u>	<u>80,572</u>

## Combined Statements of Changes in Equity

	Attributable to equity holders of the Company						
	Issued capital HK\$'000	Legal reserve* HK\$'000 (note (ii))	Merger reserve* HK\$'000 (note (i))	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
At 1 April 2005	5,536	-	(9,773)	4,386	-	5,401	5,550
Exchange realignment	-	-	-	-	(17)	-	(17)
Change in fair value of a building recognised directly in equity	-	-	-	429	-	-	429
Deferred tax component of asset revaluation reserve	-	-	-	(75)	-	-	(75)
Total income and expenses directly recognised in equity	-	-	-	354	(17)	-	337
Profit for the year	-	-	-	-	-	15,281	15,281
Total income and expense for the year	-	-	-	354	(17)	15,281	15,618
Capital contributions	10,010	-	-	-	-	-	10,010
At 31 March 2006 and 1 April 2006	15,546	-	(9,773)	4,740	(17)	20,682	31,178
Exchange realignment	-	-	-	-	(106)	-	(106)
Change in fair value of a building recognised directly in equity	-	-	-	1,129	-	-	1,129
Deferred tax component of asset revaluation reserve	-	-	-	(198)	-	-	(198)
Total income and expense directly recognised in equity	-	-	-	931	(106)	-	825
Profit for the year	-	-	-	-	-	34,070	34,070
Total income and expense for the year	-	-	-	931	(106)	34,070	34,895
Capital contributions	97	-	-	-	-	-	97
Interim dividend paid	-	-	-	-	-	(22,000)	(22,000)
At 31 March 2007 and 1 April 2007	15,643	-	(9,773)	5,671	(123)	32,752	44,170

	Attributable to equity holders of the Company						Total equity HK\$'000
	Issued capital HK\$'000	Legal reserve* HK\$'000 (note (ii))	Merger reserve* HK\$'000 (note (i))	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	
At 31 March 2007 and 1 April 2007	15,643	-	(9,773)	5,671	(123)	32,752	44,170
Exchange realignment	-	-	-	-	1,339	-	1,339
Change in fair value of a building recognised directly in equity	-	-	-	3,117	-	-	3,117
Deferred tax component of the asset revaluation reserve	-	-	-	(545)	-	-	(545)
Total income and expense directly recognised in equity	-	-	-	2,572	1,339	-	3,911
Profit for the year	-	-	-	-	-	101,859	101,859
Total income and expense for the year	-	-	-	2,572	1,339	101,859	105,770
Capital contributions	2,586	-	-	-	-	-	2,586
Transfer to legal reserve	-	46	-	-	-	(46)	-
Interim dividend paid	-	-	-	-	-	(75,000)	(75,000)
At 31 March 2008 and 1 April 2008	18,229	46	(9,773)	8,243	1,216	59,565	77,526
Exchange realignment	-	-	-	-	111	-	111
Change in fair value of a building recognised directly in equity	-	-	-	(2,376)	-	-	(2,376)
Deferred tax component of asset revaluation reserve	-	-	-	495	-	-	495
Total income and expenses directly recognised in equity	-	-	-	(1,881)	111	-	(1,770)
Profit for the period	-	-	-	-	-	4,816	4,816
Total income and expense for the period	-	-	-	(1,881)	111	4,816	3,046
At 31 August 2008	18,229	46	(9,773)	6,362	1,327	64,381	80,572

	Attributable to equity holders of the Company						
	Issued capital HK\$'000 <i>(note (ii))</i>	Legal reserve HK\$'000 <i>(note (ii))</i>	Merger reserve HK\$'000 <i>(note (i))</i>	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
(unaudited)							
At 31 March 2007	15,643	-	(9,773)	5,671	(123)	32,752	44,170
Exchange realignment	-	-	-	-	455	-	455
Change in fair value of a building recognised directly in equity	-	-	-	112	-	-	112
Deferred tax component of asset revaluation reserve	-	-	-	(19)	-	-	(19)
Total income and expenses directly recognised in equity	-	-	-	93	455	-	548
Profit for the period	-	-	-	-	-	27,727	27,727
Total income and expense for the period	-	-	-	93	455	27,727	28,275
Capital contributions	1,895	-	-	-	-	-	1,895
At 31 August 2007	17,538	-	(9,773)	5,764	332	60,479	74,340

## Notes:

- (i) The merger reserve represents the excess of the consideration paid over the net asset value of the subsidiaries acquired pursuant to the Reorganisation over the investment cost of these subsidiaries.
- (ii) In accordance with the provisions of the Macau Commercial Code, the Group's subsidiary incorporated in Macau is required to transfer 25% of the annual net profit to the legal reserve before the appropriation of profits to dividends until the reserve equals half of the capital. This reserve is not distributable to the respective shareholders.

\* These reserve accounts comprise the combined reserves of HK\$15,632,000, HK\$28,527,000, HK\$59,297,000 and HK\$62,343,000 in the combined balance sheets as at 31 March 2006, 2007 and 2008 and 31 August 2008, respectively.

## Combined Cash Flow Statements

	Notes	Year ended 31 March			Five-month period ended 31 August	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
(unaudited)						
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		25,289	44,145	116,074	34,331	7,272
Adjustments for:						
Interest income	6	(187)	(195)	(5,345)	(1,754)	(29)
Dividend income	6	-	(4,464)	-	-	-
Change in fair values of investment properties		(1,060)	(3,351)	(9,070)	(600)	8,749
Deficit on revaluation of property, plant and equipment		-	-	-	-	459
Gain on disposal of prepaid land lease payments	6	-	(3,146)	-	-	-
Gain on disposal of an unlisted available-for-sale investment	6	-	-	(16,205)	(16,205)	-
Finance costs	7	15,218	15,004	14,984	5,660	6,125
Depreciation	8	366	527	434	162	241
Recognition of prepaid land lease payments	8	238	-	-	-	-
Loss/(gain) on disposal of investment properties	8	620	-	(65)	-	-
		<u>40,484</u>	<u>48,520</u>	<u>100,807</u>	<u>21,594</u>	<u>22,817</u>
Decrease/(increase) in inventories		(73,118)	16,604	81,284	54,738	5,830
Decrease/(increase) in bills receivable		(49,029)	9,879	34,286	62,084	6,306
Decrease/(increase) in prepayments, deposits and other receivables		4,298	(656)	(9,023)	(2,886)	(1,518)
Increase/(decrease) in trade, other payables and accruals		<u>31,878</u>	<u>(40,504)</u>	<u>(35,262)</u>	<u>(34,293)</u>	<u>2,007</u>
Cash generated from/(used in) operations		(45,487)	33,843	172,092	101,237	35,442
Interest received		187	195	5,345	1,754	29
Interest paid		(15,218)	(15,004)	(14,984)	(5,660)	(6,125)
Hong Kong taxes paid		(384)	(869)	(1,913)	(634)	(1,656)
Overseas taxes paid		<u>1,678</u>	<u>(1,197)</u>	<u>(1,661)</u>	<u>(1,661)</u>	<u>(5,400)</u>
Net cash inflow/(outflow) from operating activities		<u>(59,224)</u>	<u>16,968</u>	<u>158,879</u>	<u>95,036</u>	<u>22,290</u>

	Notes	Year ended 31 March			Five-month period ended 31 August	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (unaudited)	2008 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of items of property, plant and equipment	13	(558)	(18)	(9,758)	(146)	(46)
Proceeds from disposal of prepaid land lease payments		-	14,108	-	-	-
Purchase of investment properties	14	-	(7,549)	(10,129)	-	-
Proceeds from disposal of investment properties		12,860	-	965	-	-
Proceeds from disposal of an available-for-sale investment		-	-	31,828	31,828	-
		<u>12,302</u>	<u>6,541</u>	<u>12,906</u>	<u>31,682</u>	<u>(46)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of balances to related companies		(11,304)	(32,746)	(74,825)	-	(20,604)
Receipt of balances from related companies		256	2,179	64,735	26,690	20,482
Receipt of balances from directors		18,657	32,204	62,846	-	2,033
Payment of balances to directors		(55,729)	(47,417)	(80,069)	(3,704)	(40,740)
Drawdown of bank loans		233,720	287,718	125,691	-	-
Repayment of bank loans		(120,944)	(233,720)	(283,766)	(166,022)	(20,094)
Capital element of finance lease rental payments		-	(89)	(128)	(53)	(53)
Proceeds from capital contributions		10,010	97	2,586	1,895	-
		<u>74,666</u>	<u>8,226</u>	<u>(182,930)</u>	<u>(141,194)</u>	<u>(58,976)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Cash and cash equivalents at beginning of year/period		(3,259)	24,257	55,301	55,301	45,340
Effect of foreign exchange rate changes, net		(228)	(691)	1,184	455	179
		<u>24,257</u>	<u>55,301</u>	<u>45,340</u>	<u>41,280</u>	<u>8,787</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>						
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>						
Cash and bank balances		9,453	32,661	43,975	41,280	8,787
Non-pledged time deposits with original maturity of less than three months when acquired		14,804	22,640	1,365	-	-
		<u>24,257</u>	<u>55,301</u>	<u>45,340</u>	<u>41,280</u>	<u>8,787</u>

## II. NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION AND REORGANISATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 May 2008. The registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Particulars of the companies comprising the Group have been set out in the foregoing section.

In the opinion of the directors, the ultimate holding company of the Company is Art Rich Management Limited ("AR Management"), which is incorporated in the British Virgin Islands.

### 2. BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully described in Appendix V to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group on 18 February 2009. The Reorganisation involved business combinations of entities under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting.

The Financial Information has been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or registration, where there is a shorter period. The combined balance sheets of the Group as at 31 March 2006, 2007 and 2008 and 31 August 2008 have been prepared to present the assets and liabilities of the Group as at the respective dates as if the current group structure had been in existence at those dates.

All significant intra-group transactions and balances have been eliminated on consolidation.

### 3.1 PRINCIPAL ACCOUNTING POLICIES

#### **Basis of preparation**

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting periods commencing from 1 April 2005, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for investment properties and certain land and buildings which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK\$") with all values rounded to the nearest thousand except when otherwise indicated.

#### **Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

#### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### **Related parties**

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is a member of the key management personnel of the Group or its holding company;
- (c) the party is a close member of the family of any individual referred to in (a) or (b);
- (d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or
- (e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

#### **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% to 5%
Furniture and fixtures	10% to 33 <sup>1</sup> / <sub>3</sub> %
Leasehold improvements	Shorter of lease terms and 20%
Machinery and equipment	10% to 25%
Motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### **Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

#### **Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

#### **Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sale of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### *Available-for-sale financial assets*

The Group's available-for-sale financial asset is a non-derivative financial asset in an unlisted equity security that is designated as available for sale.

When the fair value of the unlisted equity security cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such security is stated at cost less any impairment losses.

#### **Impairment of financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

#### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to bills and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

*Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

**Financial liabilities at amortised cost (including interest-bearing bank borrowings)**

Financial liabilities including trade and other payables, amounts due to a director and related companies, finance lease payable and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### **Cash and cash equivalents**

For the purpose of the combined cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) management fee income, when the services have been rendered;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

#### **Other employee benefits**

##### *Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group operates a defined contribution schemes for those employees in Thailand who are eligible and have elected to participate in the schemes. The assets of the schemes are held separately from those of the Group in an independently administered funds. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. When an employee leaves the schemes prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiary which operates in Macau are required to participate in a central pension scheme operated by the Macau government. This subsidiary is required to contribute a fixed amount of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

#### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### **Borrowing costs**

Borrowing costs are recognise as expenses in the income statement in the period in which they are incurred.

#### **Foreign currencies**

These financial statements are presented in Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the combined cash flow statements, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

### 3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards and HKAS 27 Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 Amendments	Share-based Payments – Vesting Conditions and Cancellation <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets <sup>2</sup>
HKAS 39 Amendments	Financial Instruments: Recognition and Measurement – Eligible Hedged items <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 15	Agreement for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners <sup>2</sup>

Apart from the above, the HKICPA has also issued *improvements to HKFRSs\** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

\* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the HKAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterpart, this is accounted for as a cancellation.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest for a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rate*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for the capitalisation is on or after 1 April 2009. The revised standard is unlikely to have any financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

Amendments to HKAS 39 and HKFRS 7 permit, but only in rare circumstances, reclassification of certain non-derivative securities out of the trading category (i.e. out of the fair value through profit or loss category). Such securities shall be re-classified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. The amendments also permit reclassification of loans and receivables out of the "fair value through profit or loss category" or "available-for-sale category" if the entity has the intention and ability to hold those financial assets for the foreseeable future (for loans) or until maturity (for debt securities).

The amendment to HKAS 39 address the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires customers loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 15 will replace HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The Interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

HK(IFRIC)-Int 17 provides guidance on how the company should measure distributions of assets other than cash as dividends to its owners acting in their capacity as owners.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

##### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) *Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under finance leases), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) *Impairment of assets*

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) *Useful lives and residual values of items of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**5. SEGMENT INFORMATION**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represented a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the property investment segment invests in office space and industrial properties for its rental income potential; and
- (b) the sale of dried cassava chips segment engages in the procurement and sale of dried cassava chips.

## (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the Relevant Periods and the five-month period ended 31 August 2007.

Year ended 31 March 2006	Property investment <i>HK\$'000</i>	Sale of dried cassava chips <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	–	740,850	740,850
Gross rental income	664	–	664
Total	<u>664</u>	<u>740,850</u>	<u>741,514</u>
<b>Segment results</b>	<u>1,582</u>	<u>49,226</u>	50,808
Interest and dividend income and unallocated gains			2,399
Corporate and other unallocated expenses			(12,700)
Finance costs			<u>(15,218)</u>
Profit before tax			25,289
Tax			<u>(10,008)</u>
Profit for the year			<u>15,281</u>
<b>Assets and liabilities</b>			
Segment assets	19,000	245,665	264,665
Corporate and other unallocated assets			<u>106,292</u>
Total assets			<u>370,957</u>
Segment liabilities	237	86,822	87,059
Corporate and other unallocated liabilities			<u>252,720</u>
Total liabilities			<u>339,779</u>
<b>Other segment information:</b>			
Depreciation and amortisation	–	337	337
Corporate and other unallocated amounts			<u>29</u>
			<u>366</u>
Capital expenditure	–	558	558
Fair value gain on investment properties	<u>1,060</u>	<u>–</u>	<u>1,060</u>

Year ended 31 March 2007	Property investment <i>HK\$'000</i>	Sale of dried cassava chips <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	–	818,303	818,303
Gross rental income	1,054	–	1,054
	<u>1,054</u>	<u>–</u>	<u>1,054</u>
Total	<u>1,054</u>	<u>818,303</u>	<u>819,357</u>
<b>Segment results</b>	<u>4,317</u>	<u>59,682</u>	63,999
Interest and dividend income and unallocated gains			9,853
Corporate and other unallocated expenses			(14,703)
Finance costs			<u>(15,004)</u>
Profit before tax			44,145
Tax			<u>(10,075)</u>
Profit for the year			<u>34,070</u>
<b>Assets and liabilities</b>			
Segment assets	29,900	254,503	284,403
Corporate and other unallocated assets			<u>116,484</u>
Total assets			<u>400,887</u>
Segment liabilities	320	46,235	46,555
Corporate and other unallocated liabilities			<u>310,162</u>
Total liabilities			<u>356,717</u>
<b>Other segment information:</b>			
Depreciation and amortisation	–	498	498
Corporate and other unallocated amounts			<u>29</u>
			<u>527</u>
Capital expenditure	7,549	18	7,567
Fair value gain on investment properties	<u>3,351</u>	<u>–</u>	<u>3,351</u>

Year ended 31 March 2008	Property investment <i>HK\$'000</i>	Sale of dried cassava chips <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	–	903,560	903,560
Gross rental income	1,299	–	1,299
	<u>1,299</u>	<u>903,560</u>	<u>904,859</u>
<b>Segment results</b>	<u>10,275</u>	<u>113,872</u>	124,147
Interest and dividend income and unallocated gains			23,810
Corporate and other unallocated expenses			(16,899)
Finance costs			(14,984)
			<u>116,074</u>
Profit before tax			116,074
Tax			(14,215)
			<u>101,859</u>
<b>Assets and liabilities</b>			
Segment assets	48,199	101,750	149,949
Corporate and other unallocated assets			115,126
			<u>265,075</u>
Total assets			<u>265,075</u>
Segment liabilities	36	12,467	12,503
Corporate and other unallocated liabilities			175,046
			<u>187,549</u>
Total liabilities			<u>187,549</u>
<b>Other segment information:</b>			
Depreciation and amortisation	–	375	375
Corporate and other unallocated amounts			59
			<u>434</u>
Capital expenditure	10,129	896	11,025
Corporate and other unallocated amounts			8,862
			<u>19,887</u>
Fair value gain on investment properties	<u>9,070</u>	<u>–</u>	<u>9,070</u>

Five-month period ended 31 August 2007 (Unaudited)	Property investment <i>HK\$'000</i>	Sale of dried cassava chips <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	–	273,724	273,724
Gross rental income	511	–	511
	<u>511</u>	<u>–</u>	<u>511</u>
Total	<u>511</u>	<u>273,724</u>	<u>274,235</u>
<b>Segment results</b>	<u>1,097</u>	<u>24,999</u>	26,096
Interest and dividend income and unallocated gains			19,259
Corporate and other unallocated expenses			(5,364)
Finance costs			<u>(5,660)</u>
Profit before tax			34,331
Tax			<u>(6,604)</u>
Profit for the period			<u>27,727</u>
<b>Other segment information:</b>			
Depreciation and amortisation	–	150	150
Corporate and other unallocated amounts			<u>12</u>
			<u>162</u>
Fair value gain on investment properties	<u>600</u>	<u>–</u>	<u>600</u>

Five-month period ended 31 August 2008	Property investment <i>HK\$'000</i>	Sale of dried cassava chips <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	–	334,507	334,507
Gross rental income	641	–	641
	<u>641</u>	<u>–</u>	<u>641</u>
Total	<u>641</u>	<u>334,507</u>	<u>335,148</u>
<b>Segment results</b>			
	<u>(8,137)</u>	<u>28,106</u>	19,969
Interest and dividend income and unallocated gains			76
Corporate and other unallocated expenses			(6,648)
Finance costs			<u>(6,125)</u>
Profit before tax			7,272
Tax			<u>(2,456)</u>
Profit for the period			<u>4,816</u>
<b>Assets and liabilities</b>			
Segment assets	39,450	92,470	131,920
Corporate and other unallocated assets			98,204
Total assets			<u>230,124</u>
Segment liabilities	328	14,182	14,510
Corporate and other unallocated liabilities			135,042
Total liabilities			<u>149,552</u>
<b>Other segment information:</b>			
Depreciation and amortisation	–	156	156
Corporate and other unallocated amounts			85
			<u>241</u>
Capital expenditure	–	46	<u>46</u>
Fair value losses on investment properties	<u>8,749</u>	<u>–</u>	<u>8,749</u>

## (b) Geographical segments

The following tables present certain asset, liability and expenditure information for the Group's business segments for the Relevant Periods and the five-month period ended 31 August 2007.

Year ended 31 March 2006	Mainland China HK\$'000	Hong Kong HK\$'000	Macau HK\$'000	Thailand HK\$'000	Total HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	740,850	-	-	-	740,850
Gross rental income	-	664	-	-	664
	<u>740,850</u>	<u>664</u>	<u>-</u>	<u>-</u>	<u>741,514</u>
<b>Other segment information:</b>					
Segment assets	<u>101,264</u>	<u>155,173</u>	<u>-</u>	<u>114,520</u>	<u>370,957</u>
Capital expenditure	<u>187</u>	<u>140</u>	<u>-</u>	<u>231</u>	<u>558</u>
Year ended 31 March 2007	Mainland China HK\$'000	Hong Kong HK\$'000	Macau HK\$'000	Thailand HK\$'000	Total HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	818,303	-	-	-	818,303
Gross rental income	-	1,054	-	-	1,054
	<u>818,303</u>	<u>1,054</u>	<u>-</u>	<u>-</u>	<u>819,357</u>
<b>Other segment information:</b>					
Segment assets	<u>71,803</u>	<u>195,510</u>	<u>31,412</u>	<u>102,162</u>	<u>400,887</u>
Capital expenditure	<u>-</u>	<u>7,554</u>	<u>-</u>	<u>13</u>	<u>7,567</u>

Year ended	Mainland	Hong Kong	Macau	Thailand	Total
31 March 2008	China HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	894,566	-	-	8,994	903,560
Gross rental income	-	1,299	-	-	1,299
	<u>894,566</u>	<u>1,299</u>	<u>-</u>	<u>8,994</u>	<u>904,859</u>
<b>Other segment information:</b>					
Segment assets	<u>48,587</u>	<u>109,137</u>	<u>30,994</u>	<u>76,357</u>	<u>265,075</u>
Capital expenditure	<u>10,129</u>	<u>8,694</u>	<u>7</u>	<u>1,057</u>	<u>19,887</u>
<b>Five-month period ended</b>					
<b>31 August 2007</b> (unaudited)	<b>Mainland China HK\$'000</b>	<b>Hong Kong HK\$'000</b>	<b>Macau HK\$'000</b>	<b>Thailand HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b>					
Sales to external customers	273,724	-	-	-	273,724
Gross rental income	-	511	-	-	511
	<u>273,724</u>	<u>511</u>	<u>-</u>	<u>-</u>	<u>274,235</u>
<b>Five-month period ended</b>					
<b>31 August 2008</b>	<b>Mainland China HK\$'000</b>	<b>Hong Kong HK\$'000</b>	<b>Macau HK\$'000</b>	<b>Thailand HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b>					
Sales to external customers	334,507	-	-	-	334,507
Gross rental income	93	548	-	-	641
	<u>334,600</u>	<u>548</u>	<u>-</u>	<u>-</u>	<u>335,148</u>
<b>Other segment information:</b>					
Segment assets	<u>67,174</u>	<u>103,696</u>	<u>26,847</u>	<u>44,194</u>	<u>241,911</u>
Capital expenditure	<u>-</u>	<u>46</u>	<u>-</u>	<u>-</u>	<u>46</u>

## 6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 March			Five-month period ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
Sale of goods	740,850	818,303	903,560	273,724	334,507
Other income					
Management fee income to a related company (note 31(a)(i))	1,800	1,800	1,800	750	–
Bank interest income	187	195	345	50	29
Interest income from a related company (note 31(a)(ii))	–	–	5,000	1,704	–
Dividend income from an unlisted available-for-sale investment	–	4,464	–	–	–
Gross rental income	664	1,054	1,299	511	641
Others	412	248	395	550	46
	3,063	7,761	8,839	3,565	716
Gains					
Gain on disposal of prepaid land lease payments	–	3,146	–	–	–
Gain on disposal of an unlisted available-for-sale investment	–	–	16,205	16,205	–
Gain on disposal of investment properties	–	–	65	–	–
	–	3,146	16,270	16,205	–
	3,063	10,907	25,109	19,770	716

## 7. FINANCE COSTS

	Year ended 31 March			Five-month period ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	15,080	14,838	14,814	5,593	6,010
Interest on bank loans wholly repayable after five years	138	161	156	61	109
Interest on finance leases	–	5	14	6	6
	15,218	15,004	14,984	5,660	6,125



## 9. DIRECTORS' REMUNERATION

## (a) Directors' remuneration

Details of directors' remuneration are as follows:

	Year ended 31 March			Five-month period ended 31 August	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
Fees	-	-	-	-	-
Other emoluments: Salaries, allowances and benefits in kind	1,904	2,070	1,430	656	691
Pension scheme contributions	48	48	48	20	20
	1,952	2,118	1,478	676	711
	1,952	2,118	1,478	676	711

## Year ended 31 March 2006

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:				
Chu Ming Chuan	-	494	12	506
Chu Ming Kin	-	984	12	996
Liu Yuk Ming	-	170	12	182
Lam Ching Fan	-	256	12	268
Chan Yuk Tong	-	-	-	-
	-	1,904	48	1,952
Independent non-executive directors:				
Lee Kwan Hung	-	-	-	-
Yue Man Yiu Matthew	-	-	-	-
Fung Kwok Pui	-	-	-	-
	-	-	-	-
	-	1,904	48	1,952

## Year ended 31 March 2007

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors:				
Chu Ming Chuan	-	494	12	506
Chu Ming Kin	-	1,097	12	1,109
Liu Yuk Ming	-	197	12	209
Lam Ching Fan	-	282	12	294
Chan Yuk Tong	-	-	-	-
	-	2,070	48	2,118
Independent non-executive directors:				
Lee Kwan Hung	-	-	-	-
Yue Man Yiu Matthew	-	-	-	-
Fung Kwok Pui	-	-	-	-
	-	-	-	-
	-	2,070	48	2,118

## Year ended 31 March 2008

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors:				
Chu Ming Chuan	-	456	12	468
Chu Ming Kin	-	507	12	519
Liu Yuk Ming	-	207	12	219
Lam Ching Fan	-	260	12	272
Chan Yuk Tong	-	-	-	-
	-	1,430	48	1,478
Independent non-executive directors:				
Lee Kwan Hung	-	-	-	-
Yue Man Yiu Matthew	-	-	-	-
Fung Kwok Pui	-	-	-	-
	-	-	-	-
	-	1,430	48	1,478

## Five-month period ended 31 August 2007 (unaudited)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:				
Chu Ming Chuan	–	185	5	190
Chu Ming Kin	–	288	5	293
Liu Yuk Ming	–	80	5	85
Lam Ching Fan	–	103	5	108
Chan Yuk Tong	–	–	–	–
	–	656	20	676
Independent non-executive directors:				
Lee Kwan Hung	–	–	–	–
Yue Man Yiu Matthew	–	–	–	–
Fung Kwok Pui	–	–	–	–
	–	–	–	–
	–	656	20	676

## Five-month period ended 31 August 2008

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:				
Chu Ming Chuan	–	185	5	190
Chu Ming Kin	–	300	5	305
Liu Yuk Ming	–	93	5	98
Lam Ching Fan	–	113	5	118
Chan Yuk Tong	–	–	–	–
	–	691	20	711
Independent non-executive directors:				
Lee Kwan Hung	–	–	–	–
Yue Man Yiu Matthew	–	–	–	–
Fung Kwok Pui	–	–	–	–
	–	–	–	–
	–	691	20	711

No emoluments were paid by the Group to any of the persons who are the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) **Five highest paid individuals**

The five highest paid employees during the Relevant Periods included 4 directors, details of whose remuneration are set out above. Details of the remuneration of the remaining 1 non-director, highest paid employee for the Relevant Periods and the five-month period ended 31 August 2007 are as follows:

	Year ended 31 March			Five-month period ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	212	279	257	190	350
Pension scheme contributions	12	12	12	5	5
	<u>224</u>	<u>291</u>	<u>269</u>	<u>195</u>	<u>355</u>

No emoluments were paid by the Group to any of the five highest paid individuals of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

10. **TAX**

Hong Kong profits tax has been provided at the rates of 17.5%, 17.5%, 17.5% and 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 March 2006, 2007 and 2008 and the five-month period ended 31 August 2008, respectively. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 March			Five-month period ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong					
Charge for the year/period	(1,916)	3,863	11,151	4,095	1,109
Current – Elsewhere:					
– The PRC <sup>#</sup>	550	1,237	2,868	1,633	–
– Thailand (30%)	11,563	4,328	–	–	–
Deferred (note 24)	(189)	647	196	876	1,347
	<u>10,008</u>	<u>10,075</u>	<u>14,215</u>	<u>6,604</u>	<u>2,456</u>

<sup>#</sup> The PRC corporate income tax rate for the Relevant Periods was provided at the rate 33% except for the period commencing 1 January 2008 which was provided at 25%.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax charge for the Relevant Periods and the five-month period ended 31 August 2007 is as follows:

	Year ended 31 March			Five-month period ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Profit before tax	25,289	44,145	116,074	34,331	7,272
Tax at the statutory tax rates	4,426	7,725	20,313	6,008	1,200
Higher tax rate for specific locations	4,589	2,501	171	1,208	1,494
Effect on opening deferred tax of decrease in tax rate	–	–	–	–	(240)
Income not subject to tax*	–	(583)	(8,141)	(738)	(2,221)
Expenses not deductible for tax#	993	432	1,872	126	2,223
Tax charge for the year/period	10,008	10,075	14,215	6,604	2,456

\* Income not subject to tax mainly represented offshore income generated by Artsun Macao, bank interest income and gain on disposal of prepaid land lease payments in Mainland China.

# The expenses not deductible for tax mainly represented the unclaimed value added tax in Thailand, entertainment, personal and staff welfare expense not deductible by the PRC/Thailand tax authorities.

## 11. DIVIDENDS

The dividends distributed by the subsidiaries of the Group during the Relevant Periods and the five-month period ended 31 August 2007 were as follows:

	Year ended 31 March			Five-month period ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Interim dividend	–	22,000	75,000	–	–

The dividend rates are not presented as such information is considered not meaningful for the purpose of this report.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for each of the Relevant Periods and the five-month period ended 31 August 2007 is based on the profit for the year/period attributable to equity holders of the Company for each of the Relevant Periods and the five-month period ended 31 August 2007 and on the assumption that 225,000,000 shares had been in issue throughout the Relevant Periods and the five-month period ended 31 August 2007, comprising the 100,000,000 shares in issue at the date of the Prospectus, and 125,000,000 shares to be issued pursuant to the capitalisation issue and described more fully in the paragraph headed "Written resolutions of the sole shareholder" in Appendix V to the Prospectus.

There were no dilutive potential ordinary shares in existence during the Relevant Periods and the five-month period ended 31 August 2007 and therefore no diluted earnings per share amounts have been presented.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and leasehold improve- ments HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 March 2006</b>					
At 1 April 2005:					
Cost or valuation	6,800	344	244	2,100	9,488
Accumulated depreciation	–	(328)	(221)	(1,348)	(1,897)
Net carrying amount	<u>6,800</u>	<u>16</u>	<u>23</u>	<u>752</u>	<u>7,591</u>
At 1 April 2005, net of accumulated depreciation	6,800	16	23	752	7,591
Additions	–	318	63	177	558
Depreciation provided during the year	(29)	(13)	(17)	(307)	(366)
Revaluation	429	–	–	–	429
Exchange realignment	–	(6)	(2)	(25)	(33)
At 31 March 2006, net of accumulated depreciation	<u>7,200</u>	<u>315</u>	<u>67</u>	<u>597</u>	<u>8,179</u>
At 31 March 2006:					
Cost or valuation	7,200	660	296	2,237	10,393
Accumulated depreciation	–	(345)	(229)	(1,640)	(2,214)
Net carrying amount	<u>7,200</u>	<u>315</u>	<u>67</u>	<u>597</u>	<u>8,179</u>
Analysis of cost or valuation:					
At cost	–	660	296	2,237	3,193
At 31 March 2006 valuation	7,200	–	–	–	7,200
	<u>7,200</u>	<u>660</u>	<u>296</u>	<u>2,237</u>	<u>10,393</u>
<b>31 March 2007</b>					
At 1 April 2006:					
Cost or valuation	7,200	660	296	2,237	10,393
Accumulated depreciation	–	(345)	(229)	(1,640)	(2,214)
Net carrying amount	<u>7,200</u>	<u>315</u>	<u>67</u>	<u>597</u>	<u>8,179</u>
At 1 April 2006, net of accumulated depreciation	7,200	315	67	597	8,179
Additions	–	–	18	385	403
Depreciation provided during the year	(29)	(72)	(17)	(409)	(527)
Revaluation	1,129	–	–	–	1,129
Exchange realignment	–	5	1	24	30
At 31 March 2007, net of accumulated depreciation	<u>8,300</u>	<u>248</u>	<u>69</u>	<u>597</u>	<u>9,214</u>
At 31 March 2007:					
Cost or valuation	8,300	660	318	2,632	11,910
Accumulated depreciation	–	(412)	(249)	(2,035)	(2,696)
Net carrying amount	<u>8,300</u>	<u>248</u>	<u>69</u>	<u>597</u>	<u>9,214</u>
Analysis of cost or valuation:					
At cost	–	660	318	2,632	3,610
At 31 March 2007 valuation	8,300	–	–	–	8,300
	<u>8,300</u>	<u>660</u>	<u>318</u>	<u>2,632</u>	<u>11,910</u>

	Leasehold land and buildings HK\$'000	Furniture, fixtures and leasehold improve- ments HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 March 2008</b>					
At 1 April 2007:					
Cost or valuation	8,300	660	318	2,632	11,910
Accumulated depreciation	–	(412)	(249)	(2,035)	(2,696)
Net carrying amount	<u>8,300</u>	<u>248</u>	<u>69</u>	<u>597</u>	<u>9,214</u>
At 1 April 2007, net of accumulated depreciation	8,300	248	69	597	9,214
Additions	8,862	91	804	1	9,758
Depreciation provided during the year	(59)	(74)	(29)	(272)	(434)
Revaluation	3,117	–	–	–	3,117
Exchange realignment	–	70	5	80	155
At 31 March 2008, net of accumulated depreciation	<u>20,220</u>	<u>335</u>	<u>849</u>	<u>406</u>	<u>21,810</u>
At 31 March 2008:					
Cost or valuation	20,220	841	1,139	2,533	24,733
Accumulated depreciation	–	(506)	(290)	(2,127)	(2,923)
Net carrying amount	<u>20,220</u>	<u>335</u>	<u>849</u>	<u>406</u>	<u>21,810</u>
Analysis of cost or valuation:					
At cost	–	841	1,139	2,533	4,513
At 31 March 2008 valuation	20,220	–	–	–	20,220
	<u>20,220</u>	<u>841</u>	<u>1,139</u>	<u>2,533</u>	<u>24,733</u>
<b>31 August 2008</b>					
At 1 April 2008:					
Cost or valuation	20,220	841	1,139	2,533	24,733
Accumulated depreciation	–	(506)	(290)	(2,127)	(2,923)
Net carrying amount	<u>20,220</u>	<u>335</u>	<u>849</u>	<u>406</u>	<u>21,810</u>
At 1 April 2008, net of accumulated depreciation	20,220	335	849	406	21,810
Additions	–	–	46	–	46
Depreciation provided during the period	(85)	(41)	(25)	(90)	(241)
Revaluation	(2,835)	–	–	–	(2,835)
Exchange realignment	–	(37)	(13)	(18)	(68)
At 31 August 2008, net of accumulated depreciation	<u>17,300</u>	<u>257</u>	<u>857</u>	<u>298</u>	<u>18,712</u>
At 31 August 2008:					
Cost or valuation	17,300	803	1,170	2,472	21,745
Accumulated depreciation	–	(546)	(313)	(2,174)	(3,033)
Net carrying amount	<u>17,300</u>	<u>257</u>	<u>857</u>	<u>298</u>	<u>18,712</u>
Analysis of cost or valuation:					
At cost	–	803	1,170	2,472	4,445
At 31 August 2008 valuation	17,300	–	–	–	17,300
	<u>17,300</u>	<u>803</u>	<u>1,170</u>	<u>2,472</u>	<u>21,745</u>

The Group's leasehold land is held under a medium term lease and is situated in Hong Kong.

The net book values of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 March 2006, 2007 and 2008 and 31 August 2008 amounted to nil, HK\$385,000, HK\$214,000 and HK\$118,000, respectively.

The Group's buildings and leasehold land and buildings were revalued at 31 March 2006, 2007 and 2008 and 31 August 2008, respectively, by Asset Appraisal Limited, independent professionally qualified valuers. At 31 March 2006, 2007 and 2008 and 31 August 2008, the Group's leasehold buildings were revalued on an open market, existing use basis at approximately HK\$7,200,000, HK\$8,300,000, HK\$20,220,000 and HK\$17,300,000, respectively. Surpluses on revaluation of approximately HK\$429,000, HK\$1,129,000 and HK\$3,117,000 arising from the above valuation had been credited to the asset revaluation reserve during the years ended 31 March 2006, 2007 and 2008, respectively, whereas deficits on revaluation of approximately HK\$2,376,000 and HK\$459,000 arising from the above valuation had been charged to the asset revaluation reserve and the income statement, respectively, during the five-month period ended 31 August 2008.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$1,454,000, HK\$1,425,000, HK\$10,228,000 and HK\$10,142,000, as at 31 March 2006, 2007 and 2008 and 31 August 2008, respectively.

The Group's leasehold land and buildings with aggregate net carrying values of approximately HK\$7,200,000, HK\$8,300,000, HK\$20,220,000 and HK\$17,300,000 as at 31 March 2006, 2007 and 2008 and 31 August 2008, respectively, were pledged to secure bank loans granted to the Group (note 22(i)).

#### 14. INVESTMENT PROPERTIES

	As at 31 March			As at 31 August
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at beginning of year/period	31,420	19,000	29,900	48,199
Additions	–	7,549	10,129	–
Disposals	(13,480)	–	(900)	–
Net gains/(losses) on fair value adjustments	1,060	3,351	9,070	(8,749)
Carrying amount at end of year/period	<u>19,000</u>	<u>29,900</u>	<u>48,199</u>	<u>39,450</u>
The Group's investment properties are held under the following lease terms:				
Medium term leases in Hong Kong	19,000	29,900	38,070	31,200
Medium term leases in Mainland China	–	–	10,129	8,250
Carrying amount at end of year/period	<u>19,000</u>	<u>29,900</u>	<u>48,199</u>	<u>39,450</u>

The Group's investment properties were revalued by Asset Appraisal Limited, independent professionally qualified valuers located at Room 1303, 13/F Beverly House, No. 93-107 Lockhart Road, Wanchai, Hong Kong, on an open market, existing use basis. The investment properties are leased to third parties under operating lease arrangements, further summary details of which are included in note 30 to the Financial Information.

Certain of the Group's investment properties with aggregate carrying amounts of HK\$19,000,000, HK\$29,900,000, HK\$38,070,000 and HK\$31,200,000 as at 31 March 2006, 2007 and 2008 and 31 August 2008, respectively, were pledged to secure bank loans granted to the Group (note 22(ii)).

#### 15. PREPAID LAND LEASE PAYMENTS

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Carrying amount at beginning of year/period	11,200	10,962	-	-
Amortisation	(238)	-	-	-
Disposal	-	(10,962)	-	-
	<u>10,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at end of year/period	10,962	-	-	-
Current portion included in prepayments, deposits and other receivables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current portion	<u>10,962</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group's prepaid land lease payments as at 31 March 2006 related to the right to the use of land situated in the PRC, which was held under a medium term lease, was disposed of during the year ended 31 March 2007.

#### 16. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Unlisted equity investment, at cost	<u>10,604</u>	<u>15,623</u>	<u>-</u>	<u>-</u>

The above unlisted equity investment was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate. The unlisted available-for-sale equity investment has been stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

#### 17. INVENTORIES

The Group's inventories during the Relevant Periods principally consisted of dried cassava chips held for resale.

At 31 March 2006, 2007 and 2008 and 31 August 2008, all of the Group's inventories were pledged as security for the Group's banking facilities (note 22(iii)).

**18. BILLS RECEIVABLE**

It is the Group's policy that all customers who wish to trade with the Group to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 90 to 180 days at sight, or by cash on delivery. Credit limits are set for individual customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. In view of the aforementioned and the fact that the Group's bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the Group's bills receivable as at 31 March 2006, 2007 and 2008 and 31 August 2008, based on the invoice date, is as follows:

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008 HK\$'000
Within 60 days	54,437	25,892	27,798	21,492
61 to 90 days	-	20,529	-	-
91 to 180 days	17,526	15,663	-	-
	<u>71,963</u>	<u>62,084</u>	<u>27,798</u>	<u>21,492</u>

None of the above bills receivable is either past due or impaired. Bills receivable relate to customers for whom there was no recent history of default.

At 31 March 2006, 2007 and 2008 and 31 August 2008, discounted bills receivable with recourse of HK\$61,998,000, HK\$62,084,000, nil and nil, respectively, were included in bills receivable.

**19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008 HK\$'000
Prepayments	196	2,222	5,560	6,397
Deposits and other receivables	4,154	2,784	7,279	8,245
	<u>4,350</u>	<u>5,006</u>	<u>12,839</u>	<u>14,642</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 20. CASH AND CASH EQUIVALENTS

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Cash and bank balances	9,453	32,661	43,975	8,787
Time deposits	14,804	22,640	1,365	–
	<u>24,257</u>	<u>55,301</u>	<u>45,340</u>	<u>8,787</u>

At 31 March 2006, 2007 and 2008, and 31 August 2008, the cash and cash equivalents of the Group denominated in Renminbi (“RMB”) amounted to HK\$11,872,000, HK\$23,909,000, HK\$11,832,000 and HK\$3,956,000, respectively. The RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 21. TRADE, OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Sales receipts in advance	80,526	40,606	–	–
Rental deposits received	285	358	406	364
Trade and other payables	768	3,110	3,790	5,940
Accrued liabilities	5,480	2,481	8,307	8,206
	<u>87,059</u>	<u>46,555</u>	<u>12,503</u>	<u>14,510</u>

Trade and other payables are non-interest-bearing and have an average term of three months.

## 22. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	31 March		As at 31 August 2008	
			2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000
<b>Current</b>						
Bank loans – secured	5.5 – 9.25	Within 1 year	225,541	218,963	39,014	45,800
Trust receipt loans – secured	3.75 – 8.25	Within 1 year	8,179	64,440	81,711	55,240
Current portion of long term bank loans – secured	2.45 – 5.03	2016 – 2018	–	363	909	747
			<u>233,720</u>	<u>283,766</u>	<u>121,634</u>	<u>101,787</u>
<b>Non-current</b>						
Long term bank loans – secured	2.45 – 5.03	2016 – 2018	–	3,952	8,009	7,762
			<u>233,720</u>	<u>287,718</u>	<u>129,643</u>	<u>109,549</u>
<b>Repayable:</b>						
Within one year or on demand			233,720	283,766	121,634	101,787
In the second year			–	446	941	785
In the third to fifth years, inclusive			–	1,428	2,970	2,577
Beyond five years			–	2,078	4,098	4,400
			<u>233,720</u>	<u>287,718</u>	<u>129,643</u>	<u>109,549</u>

*Notes:*

The Group's bank borrowings are secured by:

- (i) mortgages over the Group's land and buildings situated in Hong Kong with aggregate carrying values of HK\$7,200,000, HK\$8,300,000, HK\$20,220,000 and HK\$17,300,000 as at 31 March 2006, 2007 and 2008 and 31 August 2008, respectively (note 13);
- (ii) mortgages over the Group's investment properties situated in Hong Kong with aggregate carrying values of HK\$19,000,000, HK\$29,900,000, HK\$38,070,000 and HK\$31,200,000 as at 31 March 2006, 2007 and 2008 and 31 August 2008, respectively (note 14);
- (iii) floating charges over all of the Group's inventories as at 31 March 2006, 2007 and 2008 and 31 August 2008 (note 17);
- (iv) certain properties of a director of the Company and certain related companies controlled by that director;
- (v) unlimited cross guarantees by certain related companies controlled by a director of the Company; and
- (vi) unlimited guarantees by a director of the Company.

Applications have been made to and consent has been obtained from the bankers in respect of items (iv) to (vi) above to be released upon the listing of the Company's shares on the Hong Kong Stock Exchange and replaced by corporate guarantees and/or other security to be provided by the Group.

The Group's bank borrowings as at 31 March 2006, 2007 and 2008 and 31 August 2008 were denominated in the following currencies:

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
United States dollar	171,095	226,830	89,730	67,531
Hong Kong dollar	3,741	10,328	9,946	8,508
Thai Baht	58,884	46,502	–	–
Renminbi	–	4,058	29,967	33,510
	<u>233,720</u>	<u>287,718</u>	<u>129,643</u>	<u>109,549</u>

The carrying amounts of the interest-bearing bank borrowings approximate to their fair values. The fair value of the interest-bearing bank borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

### 23. FINANCE LEASE PAYABLE

The Group leases one of its motor vehicles under a finance lease agreement. The lease is classified as a finance lease repayable by 36 monthly instalments and has a remaining lease term of 11 months as at 31 August 2008.

At 31 March 2006, 2007 and 2008 and 31 August 2008, the total future minimum lease payments under a finance lease and their present values were as follows:

	Minimum lease payments			As at 31 August 2008 HK\$'000	Present value of minimum lease payments			As at 31 August 2008 HK\$'000
	As at 31 March				As at 31 March			
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	
Amounts payable:								
Within one year	–	142	142	127	–	128	128	
In the second year	–	142	44	–	–	128	40	
In the third to fifth years, inclusive	–	44	–	–	–	40	–	
	<u>–</u>	<u>328</u>	<u>186</u>	<u>127</u>	<u>–</u>	<u>296</u>	<u>168</u>	
Total minimum finance lease payments	–	328	186	127	–	296	115	
Future finance charges	–	(32)	(18)	(12)				
Total net finance lease payables	–	296	168	115				
Portion classified as current liabilities	–	(128)	(128)	(115)				
Non-current portion	–	168	40	–				

The finance lease arrangement bears interest at a fixed rate and its carrying amount approximates to its fair value.

## 24. DEFERRED TAX ASSETS/LIABILITIES

## Deferred tax liabilities

	Revaluation of properties <i>HK\$'000</i>	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Losses available for offset against future taxable profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2005	1,978	189	–	2,167
Deferred tax charged/(credited) to the income statement during the year ( <i>note 10</i> )	186	52	(12)	226
Deferred tax charged to asset revaluation reserve during the year	<u>75</u>	<u>–</u>	<u>–</u>	<u>75</u>
At 31 March 2006 and 1 April 2006	2,239	241	(12)	2,468
Deferred tax charged/(credited) to the income statement during the year ( <i>note 10</i> )	586	86	(25)	647
Deferred tax charged to asset revaluation reserve during the year	<u>198</u>	<u>–</u>	<u>–</u>	<u>198</u>
At 31 March 2007 and 1 April 2007	3,023	327	(37)	3,313
Deferred tax charged/(credited) to the income statement during the year ( <i>note 10</i> )	1,587	99	(14)	1,672
Deferred tax charged to asset revaluation reserve during the year	<u>545</u>	<u>–</u>	<u>–</u>	<u>545</u>
At 31 March 2008 and 1 April 2008	5,155	426	(51)	5,530
Deferred tax credited to the income statement during the period ( <i>note 10</i> )	(1,327)	(86)	–	(1,413)
Deferred tax charged to asset revaluation reserve during the period	<u>(495)</u>	<u>–</u>	<u>–</u>	<u>(495)</u>
At 31 August 2008	<u><u>3,333</u></u>	<u><u>340</u></u>	<u><u>(51)</u></u>	<u><u>3,622</u></u>

## Deferred tax assets

	Stock provision HK\$'000	Losses available for offset against future taxable profits HK\$'000	Total HK\$'000
At 1 April 2005	(3,714)	–	(3,714)
Deferred tax charged/(credited) to the income statement during the year ( <i>note 10</i> )	<u>–</u>	<u>(415)</u>	<u>(415)</u>
At 31 March 2006 and 1 April 2006	(3,714)	(415)	(4,129)
Deferred tax charged/(credited) to the income statement during the year ( <i>note 10</i> )	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2007 and 1 April 2007	(3,714)	(415)	(4,129)
Deferred tax credited to the income statement during the year ( <i>note 10</i> )	<u>3,714</u>	<u>(5,190)</u>	<u>(1,476)</u>
At 31 March 2008 and 1 April 2008	–	(5,605)	(5,605)
Deferred tax charged to the income statement during the period ( <i>note 10</i> )	–	2,760	2,760
Exchange realignment	<u>–</u>	<u>(70)</u>	<u>(70)</u>
At 31 August 2008	<u>–</u>	<u>(2,915)</u>	<u>(2,915)</u>

There was no significant unrecognised deferred tax liability as at the respective balance sheet dates.

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

**25. SHARE CAPITAL**

For the purpose of this report, share capital in the combined balance sheets as at 31 March 2006, 2007 and 2008 and 31 August 2008 represented the aggregate amount of paid-in capital/issued share capital of the companies now comprising the Group.

The Company was incorporated in the Cayman Islands on 8 May 2008. As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each. On 8 May 2008, one nil-paid subscriber's share had been allotted and issued to Codan Trust Company (Cayman) Limited, the initial subscriber of the Company, which was then transferred to AR Management on the same date.

**26. RESERVES**

The movements in the Group's reserves for the Relevant Periods are presented in the combined statements of changes in equity.

**27. NOTES TO THE COMBINED CASH FLOW STATEMENT**

- (i) During the year ended 31 March 2007, the Group entered into a finance lease arrangement in respect of the acquisition of a motor vehicle with a total capital value at the inception of HK\$385,000 (note 23).
- (ii) During the year ended 31 March 2007, the Group reinvested dividend income of HK\$4,464,000 into an unlisted available-for-sale investment.
- (iii) During the years ended 31 March 2007 and 2008, dividends distributed by certain subsidiaries of the Group of HK\$22,000,000 and HK\$75,000,000, respectively, were payable to the then shareholder of the subsidiaries and were set off against the amount due from a director (note 11).
- (iv) During the year ended 31 March 2008, the Group acquired an investment property situated in Mainland China from a director of the Company at a consideration of HK\$10,129,000 (note 31(a)). The consideration was set off against the amount due from such director.

**28. COMMITMENTS**

At 31 March 2006, 2007 and 2008 and 31 August 2008, the Group had the following commitments:

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
<b>Credit commitments</b>				
Letters of credit issued but not utilised	14,700	38,200	10,300	–

## 29. CONTINGENT LIABILITIES

During the Relevant Periods, certain of the Group's banking facilities amounting to approximately HK\$134 million were shared between the Group and Artwell Cotton Limited ("Artwell Cotton"), a company controlled by a director of the Company. These banking facilities were secured by, inter alia, cross corporate guarantees given by Artwell Cotton and the Group. No banking facility was utilised by Artwell Cotton as at 31 March 2006, 2007 and 2008 and 31 August 2008. Subsequent to 31 August 2008, the cross guarantees given by the Group in favour of Artwell Cotton and the arrangement to share the banking facilities between the Group and Artwell Cotton have been released.

Save as disclosed above, as at 31 March 2006, 2007 and 2008 and 31 August 2008, the Group did not have any other significant contingent liabilities.

## 30. OPERATING LEASE ARRANGEMENTS

## (a) As lessor

At 31 March 2006, 2007 and 2008 and 31 August 2008, the Group leases its investment properties (note 14 to the Financial Information) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2006, 2007 and 2008 and 31 August 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Within one year	861	856	1,573	4,283
In the second to fifth years, inclusive	342	690	721	623
	<u>1,203</u>	<u>1,546</u>	<u>2,294</u>	<u>4,906</u>

## (b) As lessee

At 31 March 2006, 2007 and 2008 and 31 August 2008, the Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Within one year	785	835	4,375	2,039
In the second to fifth years, inclusive	202	152	7,163	2,423
	<u>987</u>	<u>987</u>	<u>11,538</u>	<u>4,462</u>

The operating lease rentals of certain warehouses are based on the higher of a fixed rental or contingent rent based on the volume of inventories handled in the warehouses pursuant to the terms and conditions as set out in the respective rental agreements. As the future handling volume of warehouses could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

### 31. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions forming part of the Reorganisation detailed in Appendix V to the Prospectus and other transactions detailed elsewhere in this Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 March			Five-month period ended 31 August	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (unaudited)	2008 HK\$'000
Management fee income from Artwell Cotton Limited*	(i)	1,800	1,800	1,800	750	-
Interest income received from Alther Limited*	(ii)	-	-	5,000	1,704	-
Rental income received from A Luck Limited (formerly A-Lush Limited)	(iii)	-	-	-	-	93
Freight handling fees paid to Artwell Transportation Limited* (iv)		-	400	386	33	-
Consideration received on disposal of an investment property to Alpha Concord Investments Limited*	(v)	-	-	965	-	-
Consideration paid on acquisition of an investment property from Mr. Chu Ming Chuan#	(v)	-	-	10,129	-	-
Management fees paid to 濟南雅新房地產開發有限公司*	(vi)	-	-	740	287	-
Rental expenses paid to:	(vii)					
Rizhao International Hotel Co. Ltd. (日照雅禾國際大酒店有限公司)*		125	122	133	52	57
Alther Limited*		-	-	-	-	161
Lianyungang Yafa Enterprise Co., Ltd.*		-	-	-	-	16
Mr. Chu Ming Chuan		-	-	-	-	57
Performance bonus paid to Ms. Ng Nai Nar^	(viii)	1,083	-	-	-	-

# Mr. Chu Ming Chuan is the chairman of the Board of Directors and the beneficial controlling shareholder of the Company.

^ Ms. Ng Nai Nar is the spouse of Mr. Chu Ming Chuan.

\* Mr. Chu Ming Chuan is the controlling shareholder of these related companies.

*Notes:*

- (i) The management for the provision of certain administrative services and the sharing of office was mutually agreed between both parties with reference to actual costs incurred. Pursuant to the termination agreement dated 1 April 2008, the Group ceased to provide the above services to Artwell Cotton Limited and no management fee was received from Artwell Cotton thereafter.
- (ii) The interest was charged at 8% above the prime rate per annum quoted by the People's Bank of China on the outstanding amount due from a related company for the year ended 31 March 2008. No interest was charged to such related company during the years ended 31 March 2006 and 2007. Have the interest been charged to this related company and determined based on the above, the amounts would have been HK\$398,000 and HK\$1,983,000 during the years ended 31 March 2006 and 2007, respectively. The Group ceased to charge such interest income from this related company commencing on 1 April 2008.
- (iii) The rental income was charged based on prevailing market rent.
- (iv) The freight handling fees in relation to the transportation of dried cassava chips were charged with reference to the actual overhead costs incurred. Commencing from 1 April 2008, the freight arrangement is handled by the Group and no freight handling fees were paid to Artwell Transportation Limited.
- (v) The consideration was based on fair market value appraised by independent professionally qualified valuers.
- (vi) The management fee for the provision of administrative services was mainly based on actual staff costs incurred. Commencing from 1 April 2008, the Group employed its own staff for such administrative services and no management fee was paid to 濟南雅新房地產開發有限公司 thereafter.
- (vii) The rental expenses were determined based on prevailing market rent.
- (viii) The performance bonus paid related to the sale of properties of the Group arranged by a member of the Group's staff, who is the spouse of Mr. Chu Ming Chuan, was determined by the Group at its sole discretion with reference to the transaction value.

## (b) Outstanding balances with related parties:

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008 HK\$'000
Due from a director:				
Mr. Chu Ming Chuan	52,479	45,692	-	26,622
Due from related companies*:				
Alpha Concord Investments Limited	320	-	1,301	1,362
A Luck Limited (formerly A-Lush Limited)	-	279	3,104	5,526
Artwell Cotton Limited	-	1,455	3,001	3,208
Artwell Transportation Limited	-	1,172	120	188
Alther Limited	1,859	-	30,129	27,510
Jinan Yahe Textile Works Co., Ltd. (濟南雅禾紡織廠有限公司)	77	81	89	90
濟南雅新房地產開發有限公司	3,968	23,944	-	-
Rizhao Artwell International Hotel Co. Ltd. (日照雅禾國際大酒店有限公司)	366	546	597	551
Lianyungang Yafa Enterprise Co., Ltd. (連雲港雅發實業有限公司)	10	10	-	11
Fujian Artwell Houseware Co., Ltd. 山東雅禾紡織股份有限公司	964	5,580	5,550	5,650
	59	64	70	-
	7,623	33,131	43,961	44,096
Due to a director:				
Mr. Chu Ming Chuan	-	-	12,085	-
Due to related companies*:				
A Luck Limited (formerly A-Lush Limited)	4,488	-	-	-
Artwell Cotton Limited	571	-	-	-
濟南雅新房地產開發有限公司	-	-	740	753
	5,059	-	740	753

\* A director of the Company is the controlling shareholder of these related companies.

	Maximum amount outstanding			Five-month period
	Year ended 31 March			ended 31 August
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from a director:				
Mr. Chu Ming Chuan	80,284	61,412	40,325	26,622
Due from related companies:				
Alpha Concord Investments Limited	320	320	1,301	1,362
A Luck Limited (formerly A-Lush Limited)	–	280	3,104	5,432
Artwell Cotton Limited	–	1,455	4,904	3,208
Artwell Transportation Limited	–	1,889	619	188
Alther Limited	1,859	1,859	30,129	30,129
Jinan Yahe Textile Works Co., Ltd. (濟南雅禾紡織廠有限公司)	77	81	89	90
濟南雅新房地產開發有限公司	3,968	24,560	41,060	–
Rizhao Artwell International Hotel Co. Ltd. (日照雅禾國際大酒店有限公司)	482	546	597	597
Lianyungang Yafa Enterprise Co., Ltd. (連雲港雅發實業有限公司)	10	10	10	11
Fujian Artwell Houseware Co., Ltd. 山東雅禾紡織股份有限公司	964	5,580	6,104	5,650
	61	64	70	70

The balance with a director, who is also the beneficial controlling shareholder of the Company, is non-trade in nature, unsecured, interest-free and repayable on demand. The balances included net cash advances made between the Group and the director and various payments made by the Group on behalf of the director, including the entire portion of listing expenses agreed to be borne by the director of approximately HK\$9,879,000 as at 31 August 2008 (31 March 2006, 2007 and 2008: Nil).

All balances are with the related companies, non-trade in nature, unsecured, interest-free and repayable on demand except for the balance with Alther Limited as at 31 March 2008, which bore interest at 8% per annum above the prime rate quoted by the People's Bank of China.

The balances with related companies and the director as at 31 August 2008 were fully settled subsequent to 31 August 2008.

(c) Compensation of key management personnel of the Group:

	Year ended 31 March			Five-month period ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Short term employee benefits	1,904	2,070	1,430	678	710
Post-employment benefits	48	48	48	20	20
Total compensation paid to key management personnel	1,952	2,118	1,478	698	730

**32. CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

During the Relevant Periods, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

**(i) Continuing connected transactions**

As at 26 March 2008, Art Rich, a subsidiary of the Group, had entered into a loan agreement and a share pledge agreement with Mr. Aja Saepaan ("Mr. Aja"), whose registered interests in Global Property Connection Co. Ltd ("Global Property") represent 51% of the total issued share capital of Global Property. Art Rich, pursuant to the loan agreement, had lent fund to Mr. Aja. As security for the repayment of his loan owed to Art Rich, Mr. Aja had agreed to pledge his shares in Global Property in favour of Art Rich, by virtue of which, Art Rich could enforce the share pledge in an event of default in the loan repayment. Further, pursuant to the loan agreement, upon demand of repayment, Art Rich has the right at its sole discretion to demand and effect the transfer of the shares so pledged by Mr. Aja to Art Rich or its designated person at a consideration equal to the loan amount.

Mr. Aja had also entered into a letter of undertaking with Art Rich whereby Mr. Aja had undertaken, among other things, to assign and direct all dividends and special distribution paid and payable by Global Property in relation to his shares in Global Property, and all distribution of assets made or to be made by Global Property in relation to his shares in Global Property, solely to Art Rich.

Apart from the above, the related party transactions in respect of items (iii) and (vii) set out in note 31(a) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

**(ii) Discontinued connected transactions**

The related party transactions in respect of items (i), (ii), (iv), (v), (vi) and (viii) set out in note 31(a) above also constitute discontinued connected transactions as defined in Chapter 14A of the Listing Rules.

**33. FINANCIAL INSTRUMENTS BY CATEGORY****Financial assets**

Except for the Group's available-for-sale investment which is categorised as available-for-sale financial asset, all the Group's financial assets as at 31 March 2006, 2007 and 2008 and 31 August 2008, including bills receivable, deposits and other receivables, amounts due from a director, amount due from related companies and cash and cash equivalents are categorised as loans and receivables.

**Financial liabilities**

All the Group's financial liabilities as at 31 March 2006, 2007 and 2008 and 31 August 2008, including other payables, a finance lease payable, amounts due to related companies, amount due to a director and interest-bearing bank borrowings are categorised as financial liabilities at amortised cost.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as bills receivable, which arise directly from its operations.

It is, and has been, throughout the Relevant Periods, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

## (i) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from revenue or expenses of operating units in currencies other than the units' functional currency. The Group's monetary assets, financing and transactions are principally denominated in Hong Kong dollars, United States dollars ("US\$"), Thai Baht ("THB") and RMB. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of US\$ against THB/RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the THB and RMB exchange rates, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB/THB rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity HK\$'000
<b>Five-month period ended 31 August 2008</b>			
If Hong Kong dollar weakens against RMB	1%	2	232
If Hong Kong dollar strengthens against RMB	(1%)	(2)	(230)
If Hong Kong dollar weakens against THB	1%	112	169
If Hong Kong dollar strengthens against THB	(1%)	(112)	(168)
<b>Year ended 31 March 2008</b>			
If Hong Kong dollar weakens against RMB	1%	153	268
If Hong Kong dollar strengthens against RMB	(1%)	(151)	(265)
If Hong Kong dollar weakens against THB	1%	55	87
If Hong Kong dollar strengthens against THB	(1%)	(55)	(87)
<b>Year ended 31 March 2007</b>			
If Hong Kong dollar weakens against RMB	1%	69	154
If Hong Kong dollar strengthens against RMB	(1%)	(68)	(152)
If Hong Kong dollar weakens against THB	1%	113	114
If Hong Kong dollar strengthens against THB	(1%)	(112)	(113)
<b>Year ended 31 March 2006</b>			
If Hong Kong dollar weakens against RMB	1%	11	36
If Hong Kong dollar strengthens against RMB	(1%)	(11)	(36)
If Hong Kong dollar weakens against THB	1%	426	377
If Hong Kong dollar strengthens against THB	(1%)	(422)	(374)

**(ii) Credit risk**

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. All customers who wish to trade with the Group need to provide the Group with irrevocable letters of credit issued by reputable banks or by cash on delivery. Credit limits are set for individual customers. As such, the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an available-for-sale financial asset, deposits and other receivables, amounts due to a director and amount due to related companies, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

**(iii) Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group has no specific policy to deal with the cash flow interest rate risk. However, management monitors the exposure and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) interest rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity HK\$'000
<b>Five-month period ended 31 August 2008</b>			
Hong Kong dollar	1%	(869)	(726)
Hong Kong dollar	(1%)	869	726
THB	1%	(54)	(38)
THB	(1%)	54	38
<b>Year ended 31 March 2008</b>			
Hong Kong dollar	1%	(1,425)	(1,176)
Hong Kong dollar	(1%)	1,425	1,176
THB	1%	(232)	(162)
THB	(1%)	232	162
<b>Year ended 31 March 2007</b>			
Hong Kong dollar	1%	(1,653)	(1,364)
Hong Kong dollar	(1%)	1,653	1,364
THB	1%	(527)	(369)
THB	(1%)	527	369
<b>Year ended 31 March 2006</b>			
Hong Kong dollar	1%	(1,093)	(902)
Hong Kong dollar	(1%)	1,093	902
THB	1%	(493)	(345)
THB	(1%)	493	345

## (iv) Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings to meet its working capital requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2006, 2007 and 2008 and 31 August 2008 based on contractual undiscounted payments.

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>31 March 2006</b>						
Interest-bearing bank borrowings	–	233,720	–	–	–	233,720
Trade and other payables	–	768	–	–	–	768
Due to related companies	5,059	–	–	–	–	5,059
	<u>5,059</u>	<u>234,488</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>239,547</u>
<b>31 March 2007</b>						
Finance lease payable	–	35	105	188	–	328
Interest-bearing bank borrowings	–	283,766	–	2,759	1,659	288,184
Trade and other payables	–	3,110	–	–	–	3,110
	<u>–</u>	<u>286,911</u>	<u>105</u>	<u>2,947</u>	<u>1,659</u>	<u>291,622</u>
<b>31 March 2008</b>						
Finance lease payable	–	35	105	46	–	186
Interest-bearing bank borrowings	–	121,634	–	5,634	3,358	130,626
Trade and other payables	–	3,790	–	–	–	3,790
Due to a director	12,085	–	–	–	–	12,085
	<u>12,085</u>	<u>125,459</u>	<u>105</u>	<u>5,680</u>	<u>3,358</u>	<u>146,687</u>
<b>31 August 2008</b>						
Finance lease payable	–	35	79	–	–	114
Interest-bearing bank borrowings	–	101,787	–	3,914	4,555	110,256
Trade and other payables	–	5,940	–	–	–	5,940
	<u>–</u>	<u>107,762</u>	<u>79</u>	<u>3,914</u>	<u>4,555</u>	<u>116,310</u>

## (v) Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratio in order to support its business. The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives or policies during the Relevant Periods.

The Group monitors capital on the basis of the net debt-to-equity ratio. The net debt including interest-bearing bank borrowings, less cash and cash equivalents. The debt-to-equity ratios as at 31 March 2006, 2007 and 2008 and 31 August 2008 were as follows:

	As at 31 March			As at
	2006	2007	2008	31 August
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Interest-bearing bank borrowings	233,720	287,718	129,643	109,549
<i>Less: Cash and cash equivalents</i>	<u>(24,257)</u>	<u>(55,301)</u>	<u>(45,340)</u>	<u>(8,787)</u>
Net debt	<u>209,463</u>	<u>232,417</u>	<u>84,303</u>	<u>100,762</u>
Total equity	<u>31,178</u>	<u>44,170</u>	<u>77,526</u>	<u>80,572</u>
Debt-to-equity ratio	<u>6.7</u>	<u>5.3</u>	<u>1.1</u>	<u>1.3</u>

## 35. NET ASSETS OF THE COMPANY

The Company was incorporated on 8 May 2008. As at 31 August 2008, the Company had no assets and liabilities. Pursuant to the Group Reorganisation, the Company became the holding company of the Group on 18 February 2009.

## 36. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable in the Relevant Periods by the Company, or any of the other companies now comprising the Group, to the directors of the Company. Under the arrangements currently in force, the estimated amount of directors' fees and other remuneration payable to the directors of the Company for the year ending 31 March 2009 will be approximately HK\$1,728,000, excluding discretionary bonuses payable under the directors' service contracts. Further details of the directors' service contracts are set out in the paragraph headed "Particulars of service contracts" in Appendix V to the Prospectus.

### III. SUBSEQUENT EVENTS

Subsequent to 31 August 2008, the following events occurred:

- (a) Pursuant to the written resolutions of the sole shareholder passed on 18 February 2009, the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of additional 1,996,200,000 ordinary shares.

On 18 February 2009, in consideration of the transfer of the entire share capital of Alternative View from AR Management to the Company, the Company allotted and issued 99,999,999 ordinary shares to AR Management.

- (b) On 18 February 2009 the companies now comprising the Group underwent a reorganisation in preparation for the listing of the Company's shares on The Hong Kong Stock Exchange. Further details of the Group Reorganisation are set out in Appendix V to the Prospectus.

Save as aforesaid, no other significant events took place subsequent to 31 August 2008.

### IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2008.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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*The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected the net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 31 August 2008.*

*The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position.*

*Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.*

**A.      UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The unaudited pro forma adjusted net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 August 2008. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

	Audited combined net tangible assets attributable to equity holders of the Company as at 31 August 2008 <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited pro forma adjusted net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$'000</i> <i>(Note 2)</i>
Based on an Offer Price of HK\$1.02 per Share	80,572	68,476	149,048	0.50
Based on an Offer Price of HK\$2.04 per Share	80,572	143,064	223,636	0.75

*Notes:*

- (1) The estimated net proceeds from the Share Offer are based on the Offer Shares and the Offer Price of HK\$1.02 and HK\$2.04, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Share Offer without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (3) With reference to the valuation of the property interests of the Group as set out in Appendix III to this prospectus, the aggregate revalued amount of the property interests of the Group as at 31 December 2008 were approximately HK\$47,230,000. The carrying value of these property interests as at 31 August 2008 was approximately HK\$56,750,000. The depreciation on buildings for the period from 1 September 2008 to 31 December 2008 of approximately HK\$192,000 and the revaluation deficit of approximately HK\$9,328,000 has not been included in the above adjusted net tangible assets of the Group. Such depreciation and revaluation deficit has not been recorded in the Accountants' Report as set out in Appendix I to this prospectus.

**B. LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this Prospectus, in respect of the Group's unaudited pro forma financial information.*



18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

26 February 2009

The Board of Directors  
Asia Cassava Resources Holdings Limited

Dear Sirs,

We report on the unaudited pro forma adjusted net tangible assets of Asia Cassava Resources Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the Share Offer of 75,000,000 shares of HK\$0.10 each of the Company might have affected the relevant financial information presented, for inclusion in section A of Appendix II to the prospectus dated 26 February 2009 (the "Prospectus") issued by the Company.

**Responsibilities of Directors of the Company and the Reporting Accountants**

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 August 2008 or any future date.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

*The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent property valuer, in connection with its valuation as at 31 December 2008 of the property interests held or rented by the Group.*



**Asset Appraisal Limited**  
資產評估顧問有限公司

Rm 802 8/F On Hong Commercial Building  
No. 145 Hennessy Road Wanchai Hong Kong  
香港灣仔軒尼詩道145號安康商業大廈8樓802室  
Tel: (852) 2529 9448 Fax: (852) 3521 9591

26 February 2009

**The Board of Directors**

**Asia Cassava Resources Holdings Limited**

Units 612-3, 6th Floor  
Houston Centre  
63 Mody Road  
Tsim Sha Tsui  
Kowloon, Hong Kong

Dear Sirs,

**Re: Valuation of properties situated in Hong Kong, Macau, the People's Republic of China (the "PRC") and Thailand.**

In accordance with the instructions of **Asia Cassava Resources Holdings Limited** (the "Company") to value the property interests (the "properties") held by the Company or its subsidiaries (altogether referred to as the "Group") situated in Hong Kong, Macau, the PRC and Thailand, we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2008 (the "date of valuation").

**BASIS OF VALUATION**

Our valuation of the properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

**TITLESHIP**

For the properties situated in Hong Kong, Macau and Thailand, we have carried out title and encumbrance searches for each of the properties in the relevant Land Registries. Material content of the registration details has been summarized in the valuation certificate attached herewith for reference purpose.

For the properties situated in the PRC, we have been provided with copies of legal documents regarding the properties. In addition, we have relied upon the legal opinion provided by the PRC legal advisers, namely Jingtian & Gongcheng PRC Lawyers (北京市競天公誠律師事務所) and Hills & Co. (君道律師事務所) (the “PRC Legal Opinion”), to the Company on the relevant laws and regulations in the PRC, on the nature of Group’s interests in the properties situated in the PRC. Its material content has been summarized in the valuation certificate attached herewith.

#### VALUATION METHODOLOGY

We have valued the properties on the market basis assuming sale with the benefit of immediate vacant possession and by reference to comparable transactions available in the market.

For the properties which are leased to third parties, we have also adopted the investment method on the basis of capitalization of the net incomes with due allowance for reversionary income potential.

We have attributed no commercial value to the properties rented by the Group due either to the short term nature of the leasehold interest in the properties or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

We have relied on the valuation opinion given by Thai Property Appraisal Lynn Philips Co., Ltd., Office of Private Land Surveyors Licensing Board of Thailand, regarding the properties numbered 16, 17 and 18 situated in Thailand. Thai Property Appraisal Lynn Philips Co., Ltd. is a recognized independent valuation group with extensive valuation experience and sufficient qualification to provide valuation services in Thailand.

#### LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

Unless otherwise stated, all market values of the properties (if any) have been denominated in Hong Kong (HK\$). The conversion of Renminbi (RMB) into Hong Kong Dollars is based on the factor of RMB1 to HK\$1.134 with reference to exchange rate as prevailing on the date of valuation.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,  
for and on behalf of  
**Asset Appraisal Limited**

**TSE Wai Leung**  
*MFin MRICS MHKIS RPS(GP)*  
*Director*

*TSE Wai Leung is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.*

## SUMMARY OF VALUATION

Property	Market Value as at 31 December 2008 HK\$
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**Group I – Properties Held and Occupied by the Group in Hong Kong**

1. Unit No. 17 on 6th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong	6,600,000
2. Unit No. 13 on 6th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong	7,140,000
<b>Sub-Total:</b>	<b>13,740,000</b>

**Group II – Property Held and Occupied by the Group in the PRC**

3. Unit 1 on 2nd Floor of Block 1 at No.22 Dongshen Road E-gong Ling Pinghu Town Longgang District Shenzhen City Guangdong Province the PRC	70,000
<b>Sub-Total:</b>	<b>70,000</b>

Property	Market Value as at 31 December 2008 HK\$
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**Group III – Properties Held by the Group in Hong Kong for Investment**

4. Unit No. 1 on 7th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong	7,200,000
5. Unit No. 2 on 7th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong	6,850,000
6. Unit 12 on 12th Floor, Seapower Tower Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong	6,850,000
7. Unit 2 on 5th Floor of Tower A, Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong	4,290,000
<b>Sub-Total:</b>	<b>25,190,000</b>

Property	Market Value as at 31 December 2008 HK\$
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**Group IV – Property Held by the Group in the PRC for Investment**

8. A factory complex (excluding unit 1 on 2nd floor of Block 1) at No. 22 Dongshen Road E-gong Ling Pinghu Town Longgang District Shenzhen City Guangdong Province the PRC	8,230,000
<b>Sub-Total:</b>	<b>8,230,000</b>

**Group V – Properties Rented by the Group in the PRC**

9. Unit 301 West Wing No. 5 Xixia Road (also known as Xu Gou Hai Tang Road) Lianyungang District Lianyungang City Jiangsu Province the PRC	No commercial value
10. Unit No. 3203 on 32nd Floor Block 1 Jindu Garden No. 37 Donghai Xi Road Shinan District Qingdao City Shandong Province the PRC	No commercial value
11. Eastern portion of 4th Floor Rizhao Artwell International Hotel No. 96 Xing Hai Road Rizhao City Shandong Province the PRC	No commercial value

Property	Market Value as at 31 December 2008 HK\$
12. Unit No. 320-2 on 3rd Floor No.137 Lishan Road Lixia District Jinan City Shandong Province the PRC	No commercial value
<b>Sub-Total:</b>	<b><u>No commercial value</u></b>
<b>Group VI – Properties Rented by the Group in Macau</b>	
13. Unit K on 11th Floor Edifício da Associação Comercial de Macau No. 175 Rua de Xangai Macau	No commercial value
14. Unit F on 28th Floor Edifício Comercial I Tak No. 126 Rua da Pequim Macau	No commercial value
<b>Sub-Total:</b>	<b><u>No commercial value</u></b>
<b>Group VII – Property Rented by the Group in Hong Kong</b>	
15. Unit No. 12 on 6th Floor Houston Centre No. 63 Mody Road Kowloon Hong Kong	No commercial value
<b>Sub-Total:</b>	<b><u>No commercial value</u></b>

Property	Market Value as at 31 December 2008 HK\$
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**Group VIII – Properties Rented by the Group in Thailand**

16. Warehouse No. 4 at 5/4 Moo 8 Tambon Bangpakong Amphoe Bangpakong Chachoengsao Province Thailand	No commercial value
17. Warehouse Nos. 3 and 9 at No. 59 Bangsai-Chiongranoi Road Changyai Sub-district Bangsai District Ayuddhaya Province Thailand	No commercial value
18. Warehouse Nos. 1 and 2 at No. 88 Moo 4 Sukhumwit Road Sriracha Chonburi 20110 Thailand	No commercial value
<b>Sub-Total:</b>	<b><u>No commercial value</u></b>
<b>Grand Total:</b>	<b><u>47,230,000</u></b>

## VALUATION CERTIFICATE

## Group I – Properties Held and Occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
1. Unit No. 17 on 6th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong  21/8410th shares of Kowloon Inland Lot No. 10588.	<p>The property comprises one office unit on 6th floor of an 18-storey private office building completed in 1981.</p> <p>The gross floor area of the property is approximately 1,238 square feet (115 square metres).</p> <p>The property is held under Conditions of Sale No. 11183 for a term of 75 years renewable for 75 years commencing on 3 March 1978.</p> <p>The current ground rent payable is HK\$1,000.00 per annum for the lot.</p>	The property is occupied by the Group as offices.	6,600,000

*Notes:*

1. The registered owner of the property is Art Well Properties Limited, a wholly-owned subsidiary of the Company, vide memorial no. 08030400310061 dated 1 February 2008.
2. Nomination in favour of Art Well Properties Limited is registered via memorial no. 08013101990014 dated 21 December 2007.
3. Legal Charge/Mortgage in favour of Citibank, N.A. is registered via memorial no. 08022600480080 dated 1 February 2008.
4. The property lies within an area zoned "Commercial" under the prevailing outline zoning plan.

## Group I – Properties Held and Occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
2. Unit No. 13 on 6th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong  23/8410th shares of Kowloon Inland Lot No. 10588.	<p>The property comprises one office unit on 6th floor of an 18-storey private office building completed in 1981.</p> <p>The gross floor area of the property is approximately 1,334 square feet (124 square metres).</p> <p>The property is held under Conditions of Sale No. 11183 for a term of 75 years renewable for 75 years commencing on 3 March 1978.</p> <p>The current ground rent payable is HK\$1,000.00 per annum for the lot.</p>	The property is occupied by the Group as offices.	7,140,000

*Notes:*

1. The registered owner of the property is Artwell Enterprises Limited, a wholly-owned subsidiary of the Company, vide memorial no. UB3279875 dated 6 January 1987.
2. The property is subject to a Mortgage in favour of China Construction Bank (Asia) Corporation Limited as registered via memorial no. 08090801660138 dated 19 August 2008.
3. The property lies within an area zoned "Commercial" under the prevailing outline zoning plan.

## Group II – Property Held and Occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
3. Unit 1 on 2nd Floor of Block 1 at No.22 Dongshen Road E-gong Ling Pinghu Town Longgang District Shenzhen City Guangdong Province the PRC	<p>The property forms part of the subject development, which comprises a parcel of industrial land (Lot No. G05501-0008) with an area of 4,778.10 square metres and is partially developed with a 3-storey industrial building, a 4-storey industrial building and various single-storey ancillary structures.</p> <p>The 2 mentioned industrial buildings were both completed in 1991 and have a total gross floor area of 1,378.80 square metres of which 30 square metres is attributable to the property.</p> <p>The subject development is held by the Group for a land use right term of 50 years commencing on 1 July 1991 and expiring on 30 June 2041.</p>	The property is occupied by the Group as a liaison centre.	70,000

*Notes:*

1. As stipulated in the Building and Land Ownership Certificate (ref no. Shen Fang Di Zhi No. 6000001516), the property is held by Artwell Enterprises Ltd., a wholly-owned subsidiary of the Company for industrial use for a land use right term of 50 years commencing on 1 July 1991 expiring on 30 June 2041.
2. Opinion of the PRC Lawyer on the property is summarized as follows:
  - 2.1 The property is held by Artwell Enterprises Ltd. which has obtained the title certificate (ref no. Shen Fang Di Zhi No. 6000001516) of the property; and
  - 2.2 The property can be freely transferred, leased or charged on the market.

## Group III – Properties Held by the Group in Hong Kong for Investment

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
4. Unit No. 1 on 7th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong.  23/8410th shares of Kowloon Inland Lot No. 10588.	The property comprises one office unit on 7th floor of an 18-storey private office building completed in 1981.  The gross floor area of the property is approximately 1,334 square feet (124 square metres).  The property is held under Conditions of Sale No. 11183 for a term of 75 years renewable for 75 years commencing on 3 March 1978.  The current ground rent payable is HK\$1,000.00 per annum for the lot.	The property is leased for a term of two years commencing on 1 February 2009 and expiring on 31 January 2011 at a monthly rent of HK\$26,680.	7,200,000

*Notes:*

1. The registered owner of the property is Fine Success Enterprise Limited, a wholly-owned subsidiary of the Company, vide memorial no. 06111002110403 dated 12 October 2006.
2. The property is subject to Mortgage in favour of Bank of China (Hong Kong) Limited as registered via memorial no. 06111002110414 dated 12 October 2006.
3. The property is subject to Second Legal Charge in favour of Bank of China (Hong Kong) Limited as registered via memorial no. 07022802870587 dated 29 January 2007.
4. The property lies within an area zoned "Commercial" under the prevailing outline zoning plan.

## Group III – Properties Held by the Group in Hong Kong for Investment

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
5. Unit No. 2 on 7th Floor, Houston Centre, No. 63 Mody Road, Kowloon, Hong Kong	The property comprises one office unit on 7th floor of an 18-storey private office building completed in 1981.  The gross floor area of the property is approximately 1,293 square feet (120 square metres).	The property is leased for a term of two years commencing on 1 August 2007 and expiring on 31 July 2009 at a monthly rent of HK\$31,678.50.	6,850,000
22/8410th shares of the Kowloon Inland Lot No. 10588.	The property is held under Conditions of Sale No. 11183 for a term of 75 years renewable for 75 years commencing on 3 March 1978.  The current ground rent payable is HK\$1,000.00 per annum for the lot.	The tenancy has been renewed for a term of 2 years commencing on 1 August 2009 and expiring on 31 July 2011 at a monthly rent of HK\$25,840.	

*Notes:*

1. The registered owner of the property is Alternative View Investments Limited, a wholly-owned subsidiary of the Company, vide memorial no. UB7962140 dated 21 December 1999.
2. The property is subject to Legal Charge to secure general banking facilities in favour of Chiyu Banking Corporation Limited as registered via memorial no. UB7962143 dated 21 December 1999.
3. The property is subject to Collateral Second Legal Charge in favour of Chiyu Banking Corporation Limited as registered via memorial no. 08091600100047 dated 8 September 2008.
4. The property is subject to a Collateral Third Legal Charge in favour of Chiyu Banking Corporation Limited as registered via memorial no. 08091600100051 dated 8 September 2008.
5. The property lies within an area zoned "Commercial" under the prevailing outline zoning plan.

## Group III – Properties Held by the Group in Hong Kong for Investment

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
6. Unit 12 on 12th Floor, Seapower Tower Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong	<p>The property comprises one office unit on 12th floor of a 27-storey private office building completed in 1994.</p> <p>The gross floor area of the property is approximately 952 square feet (88 square metres).</p>	The property is leased for a term of two years commencing on 1 September 2007 and expiring on 31 August 2009 at a monthly rent of HK\$24,752.	6,850,000
1321/1000000th shares of Kowloon Inland Lot No. 10999.	<p>The property is held under Conditions of Sale No. UB12193 for a term commencing on 15 January 1992 and expiring on 30 June 2047.</p> <p>The current ground rent payable is an amount equal to 3% of the rateable value of the property per annum.</p>		

*Notes:*

1. The registered owner of the property is Wide Triumph Investment Limited, a wholly-owned subsidiary of the Company vide memorial no. UB9464755 dated 31 December 2004.
2. The property is subject to Legal Charge/Mortgage in favour of Citibank, N.A. as registered via memorial no. 08090500270017 dated 27 August 2008.
3. The property is subject to Rental Assignment in favour of Citibank, N.A. as registered via memorial no. 08090500270023 dated 27 August 2008.
4. The property lies within an area zoned "Commercial (4)" under the prevailing outline zoning plan.

## Group III – Properties Held by the Group in Hong Kong for Investment

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
7. Unit 2 on 5th Floor of Tower A, Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong  37/30000th shares of Kowloon Inland Lot No. 10599.	<p>The property comprises one office unit on 5th floor of a 10-storey private office building erected upon 6-storey shopping/parking podium of reinforced concrete construction completed in about 1982.</p> <p>The gross floor area of the property is approximately 809 square feet (75 square metres).</p> <p>The property is held under Conditions of Sale No. UB11333 for a term of 75 years renewable for 75 years commencing on 18 June 1979.</p> <p>The current ground rent payable is HK\$1,000.00 per annum for the lot.</p>	The property is leased for a term of two years commencing on 18 October 2007 and expiring on 17 October 2009 at a monthly rent of HK\$20,112.	4,290,000

*Notes:*

1. The registered owner of the property is Artwell Enterprises Limited, a wholly-owned subsidiary of the Company, vide memorial no. UB7552922 dated 31 July 1998.
2. The property is subject to Mortgage in favour of Bank of China as registered via memorial no. UB7552923 dated 31 July 1998.
3. The property is subject to Second Legal Charge in favour of Bank of China (Hong Kong) Limited as registered via memorial no. 08091602700061 dated 10 September 2008.
4. The property lies within an area zoned "Commercial" under the prevailing outline zoning plan.

## Group IV – Property Held by the Group in the PRC for Investment

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
8. A factory complex (excluding unit 1 on 2nd floor of Block 1) at No.22 Dongshen Road E-gong Ling Pinghu Town Longgang District Shenzhen City Guangdong Province the PRC	<p>The subject development comprises a parcel of industrial land (Lot No. G05501-0008) with an area of 4,778.10 square metres and is partially developed with a 3-storey industrial building, a 4-storey industrial building and various single-storey ancillary structures.</p> <p>The 2 mentioned industrial buildings were both completed in 1991 and have a total gross floor area of 1,378.80 square metres of which a total gross floor area of 1,348.80 square metres is attributable to the property. The remaining portion with a gross floor area of 30 square metres is attributable to Unit 1 on 2nd Floor of Block 1 being the property numbered 3 in this valuation report.</p> <p>The subject development is held by the Group for a land use right term of 50 years commencing on 1 July 1991 and expiring on 30 June 2041.</p>	The 2 industrial buildings of property with a total gross floor area of 1,348.80 square metres are leased for a term of 3 years expiring on 30 June 2010 at a total annual rent of RMB198,540 exclusion of management fees and outgoings.	8,230,000

*Notes:*

1. As stipulated in the Building and Land Ownership Certificate (ref no. Shen Fang Di Zhi No. 6000001516), the property is held by Artwell Enterprises Ltd., a wholly-owned subsidiary of the Company for industrial use for a land use right term of 50 years commencing on 1 July 1991 expiring on 30 June 2041.
2. Opinion of the PRC Lawyer on the property is summarized as follows:
  - 2.1 The property is held by Artwell Enterprises Ltd. which has obtained the title certificate (ref no. Shen Fang Di Zhi No. 6000001516) of the property;
  - 2.2 The property can be freely transferred, leased or charged on the market;
  - 2.3 The tenancy agreement of the property is legal and is not violating any law and regulations;
  - 2.4 The existing use of the property as workshops does not constitute any breach of the tenancy agreement; and
  - 2.5 Leasing registration of the tenancy agreement at the relevant government authority has not yet been proceeded. According to the prevailing rules, both parties to the tenancy agreement are required to complete leasing registration subject to late registration penalties.

## Group V – Properties rented by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
9. Unit 301 West Wing No.5 Xixia Road (also known as Lu Gou Hai Tang Road) Lianyungang District Lianyungang City Jiangsu Province the PRC	<p>The property comprises an office unit on 3rd floor of a 6-storey office building completed in 2002.</p> <p>The gross floor area of the property is 57 square metres.</p> <p>The property is held by the Group under a tenancy for a term of 3 years commencing on 1 April 2008 and expiring on 31 March 2011 at an annual rent of RMB34,200 inclusive of management fees but exclusive of water charges, cleaning charges and electricity charges.</p>	The property is occupied by the Group as offices.	No Commercial Value

*Notes:*

1. As stipulated in the Land Use Rights Certificate (ref. no. Lian Guo Yong (2004) Zi DiA000004) and the Building Ownership Certificate (ref no. Lian Fang Quan Zhen Lian Zhi Di L00106557) dated 23 March 2004 and 31 March 2004 respectively, the property is held by Lianyungang Yafa Enterprise Co Ltd. (連雲港雅發實業有限公司), a related party to the Company.
2. Pursuant to a tenancy agreement dated 28 March 2008, Ri Zhao Yushun Cassava Co., Ltd. (日照雨順木薯有限公司), a wholly-owned subsidiary of the Company, rented the property from Lianyungang Yafa Enterprise Co Ltd. (連雲港雅發實業有限公司).
3. Opinion of the PRC Lawyer on the property is summarized as follows:
  - 3.1. According to the Land Use Rights Certificate (ref. no. Lian Guo Yong (2004) Zi DiA000004) and the Building Ownerships Certificate (ref no. Lian Fang Quan Zhen Lian Zhi Di L00106557) dated 23 March 2004 and 31 March 2004 respectively, the subject building (including the property) with a gross floor area of 1,339.92 square metres is held by Lianyungang Yafa Enterprise Co., Ltd. Lianyungang Yafa Enterprise Co., Ltd. (連雲港雅發實業有限公司) being the landlord of the property has the right to lease out the property;
  - 3.2. The agreed use stated in the tenancy agreement is consistent with the permitted use of the property;
  - 3.3. Ri Zhao Yushun Cassava Co. Ltd. does not subject to any oppressive or unreasonable terms and conditions under the tenancy agreement;
  - 3.4. Ri Zhao Yushun Cassava Co. Ltd. has the right to occupy the property during the term of the tenancy agreement;
  - 3.5. The tenancy agreement is legal, valid and enforceable between the parties to the agreement; and
  - 3.6. Leasing registration of the tenancy agreement at the relevant government authorities has not yet been proceeded. According to the prevailing rules, both parties to the tenancy agreement are required to complete leasing registration subject to late registration penalties.

## Group V – Properties rented by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
10. Unit No. 3203 on 32nd Floor Block 1 Jindu Garden No. 37 Donghai Xi Road Shinan District Qingdao City Shandong Province the PRC	<p>The property comprises a residential unit on 32nd floor of a 32-storey residential building completed in 1995.</p> <p>The gross floor area of the property is 114.04 square metres.</p> <p>The property is held by the Group under a tenancy for a term of 3 years commencing on 1 April 2008 and expiring on 31 March 2011 at an annual rent of RMB120,000 inclusive of management fees but exclusive of water charges, cleaning charges and electricity charges.</p>	The property is occupied by the Group as dormitory/office.	No Commercial Value

*Notes:*

1. As stipulated in the Building and Land Ownership Certificate (ref no. Qing Fang Di Quan Shi Zhi Di 58784) dated 29 December 2002, the property is held by Mr. Chu, the controlling shareholder of the Company.
2. Pursuant to a tenancy agreement dated 28 March 2008 and a supplemental tenancy agreement dated 29 March 2008, Ri Zhao Yushun Cassava Co., Ltd. (日照雨順木薯有限公司), a wholly-owned subsidiary of the Company, rented the property from Mr. Chu.
3. Opinion of the PRC Lawyer on the property is summarized as follows:
  - 3.1. According to the Building and Land Ownership Certificate (ref no. Qing Fang Di Quan Shi Zhi Di 58784) dated 29 December 2002, the property is owned by Chu Ming Chuan (朱銘泉). As no Land Use Rights Certificate is provided to the PRC lawyer, he is unable to ascertain whether Chu Ming Chuan (朱銘泉) being the landlord of the property is the owner of the land portion of the property. The Group's leasehold interest in the property may be undermined in case where there is dispute on land title;
  - 3.2. The existing use of the property is not consistent with the permitted use of the property. Hence, the tenancy agreement will be void and the leasee shall be responsible for any loss incurred by the lessor;
  - 3.3. Ri Zhao Yushun Cassava Co. Ltd. does not subject to any oppressive or unreasonable terms and conditions under the tenancy agreement; and
  - 3.4. Leasing registration of the tenancy agreement at the relevant government authorities has not yet been proceeded. According to the prevailing rules, both parties to the tenancy agreement are required to complete leasing registration subject to late registration penalties.

## Group V – Properties rented by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
11. Eastern portion of 4th Floor Rizhao Artwell International Hotel No. 96 Xing Hai Road Rizhao City Shandong Province the PRC	<p>The property comprises an office unit of 4th floor of a 16-storey hotel building completed in 2002.</p> <p>The gross floor area of the property is 56 square metres.</p> <p>The property is held by the Group under a tenancy for a term of 5 years commencing on 1 April 2008 and expiring on 31 March 2011 at an annual rent of RMB120,000 inclusive of management fees, water charges, cleaning charges and electricity charges.</p>	The property is occupied by the Group as offices.	No Commercial Value

*Notes:*

1. As stipulated in the Building Ownership Certificate (ref no. Fang Quan Zhen Ri Zhi Di 50050) dated 23 February 2005, the property is held by Rizhao Artwell International Hotel Co., Ltd. (日照雅禾國際大酒店有限公司), a related party to the Company.
2. Pursuant to a tenancy agreement dated 28 March 2008 and a supplemental tenancy agreement dated 29 March 2008, Ri Zhao Yushun Cassava Co., Ltd. (日照雨順木薯有限公司), a wholly-owned subsidiary of the Company, rented the property from Rizhao Artwell International Hotel Co., Ltd. (日照雅禾國際大酒店有限公司).
3. Opinion of the PRC Lawyer on the property is summarized as follows:
  - 3.1 Rizhao Artwell International Hotel Co., Ltd. (日照雅禾國際大酒店有限公司) being the landlord is the sole owner of the property and has the right to lease out the property;
  - 3.2 The agreed use stated in the tenancy agreement is consistent with the permitted use of the property;
  - 3.3 Rizhao Yushun Cassava Co. Ltd. does not subject to any oppressive or unreasonable terms and conditions under the tenancy agreement;
  - 3.4 Rizhao Yushun Cassava Co. Ltd. has the right to occupy the property during the term of the tenancy agreement;
  - 3.5 The property is subject to a mortgage in favour of the Rizhao City Donggang District Rural Trust Committee Union Committee (日照市東港區農村信用社聯合社);
  - 3.6 The tenancy agreement is legal, valid and enforceable between the parties to the agreement;
  - 3.7 Leasing registration of the tenancy agreement at the relevant government authorities has not yet been proceeded. According to the prevailing rules, both parties to the tenancy agreement are required to complete leasing registration subject to late registration penalties; and
  - 3.8 Under the relevant PRC law, if the property is forfeited by the mortgagor on default, the purchaser of the forfeited property shall be free from the tenancy agreement in favour of Rizhao Yushun Cassava Co., Ltd..

## Group V – Properties rented by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
12. Unit No. 320-2 on 3rd Floor No.137 Lishan Road Lixia District Jinan City Shandong Province the PRC	<p>The property comprises an office unit of 3rd floor of a 5-storey office building completed in about 1980's.</p> <p>The gross floor area of the property is 25 square metres.</p> <p>The property is held by the Group under a tenancy for a term of 1 years commencing on 19 December 2008 and expiring on 18 December 2009 at an annual rent of RMB10,950 exclusive of management fee.</p>	The property is occupied by the Group as offices.	No Commercial Value

*Notes:*

1. Pursuant to a tenancy agreement dated 18 December 2008, Ri Zhao Yushun Cassava Co., Ltd. (日照兩順木薯有限公司), a wholly-owned subsidiary of the Company, rented the property from 濟南新宏建物業管理有限公司 (transliterated as Jinan Xin Hong Property Management Company Limited).
2. Opinion of the PRC Lawyer on the property is summarized as follows:
  - 2.1 as no title documents are provided to the PRC Lawyer, he is unable to ascertain whether the lessor has the right to lease out the property to Ri Zhao Yushun Cassava Co., Ltd.. Therefore, the validity of the tenancy agreement by which the property is rented by the Group cannot be proved;
  - 2.2 In case where the tenancy agreement is void, the lessee is bounded to surrender the property to the lessor. Having the void tenancy agreement does not deprive the Group from enforcing the dispute resolution clauses in the tenancy agreement and both parties are kept binding on those clauses; and
  - 2.3 In case where the agreed use stated in the tenancy agreement is not consistent with the permitted use of the property, the tenancy agreement will be void.

## Group VI – Properties Rented by the Group in Macau

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
13. Unit K on 11th Floor Edifício da Associação Comercial de Macau No. 175 Rua de Xangai Macau	<p>The property comprises an office unit on 11th floor of a 20-storey office building completed in 1989.</p> <p>The registered floor area of the property is 57.09 square metres.</p> <p>As at the date of valuation, the property was held by the Group under a tenancy for a term of 2 years commencing on 10 January 2007 and expiring on 9 January 2009 at a monthly rent of HK\$6,800 exclusive of management fee. As confirmed by the Company, the tenancy was not renewed after expiry.</p>	As confirmed by the Group, it vacated from the property after the expiry date and has relocated its office to property numbered 14 as shown below.	No Commercial Value

*Notes:*

1. The registered owners of the property are Cheang Kam Tou (鄭錦滔) and Ho Pui Fan (何佩芬), independent third parties to the Company.
2. As at 15 May 2008 a mortgage was registered against the property in favour of Banco Seng Heng, S.A..
3. Pursuant to a tenancy agreement dated 3 January 2007, Artsun International Macao Limited, a wholly-owned subsidiary of the Company, rented the property from 何佩芬 (transliterated as Ho Pui Fun).

## Group VI – Properties Rented by the Group in Macau

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
14. Unit F on 28th Floor Edifício Comercial I Tak No. 126 Rua da Pequim Macau	<p>The property comprises an office unit on 11th floor of a 28-storey office building completed in 1991.</p> <p>The registered floor area of the property is 70.1 square metres.</p> <p>The property is held by the Group under a tenancy for a term of 2 years commencing on 17 January 2009 and expiring on 16 January 2011 at a monthly rent of HK\$5,800 – exclusive of management fee. Commencing on 17 January 2010, the tenant has the right to terminate the tenancy by serving one month's notice to the landlord.</p>	The property is occupied by the Group as offices.	No Commercial Value

*Notes:*

1. The registered owner of the property is Zhang Ruixia (張瑞霞), an independent third party to the Company.
2. Pursuant to a tenancy agreement dated 23 December 2008, Artsun International Macao Limited, a wholly-owned subsidiary of the Company, rented the property from 何松蔭 (transliterated as He Cong Yin and the representative of Zhang Ruixia).

## Group VII – Property Rented by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
15. Unit No. 12 on 6th Floor Houston Centre No. 63 Mody Road Kowloon Hong Kong	<p>The property comprises an office unit on 6th floor of an 18-storey private office building completed in 1981.</p> <p>The gross floor area of the property is approximately 1,293 square feet (120 square metres).</p> <p>The property is held by the Group under a tenancy for a term of 2 years commencing on 1 April 2008 and expiring on 31 March 2010 at a monthly rent of HK\$32,325 exclusive of rates, Government rent, management fees, air-conditioning charges, water charges, cleaning charges and electricity charges.</p>	The property is occupied by the Group as offices.	No Commercial Value

*Notes:*

1. The registered owner of the property is Alther Limited, a related party to the Company, vide memorial no. UB7027395 dated 21 March 1997.
2. The property is subject to Legal Charge in favour of Chiyu Banking Corporation Limited as registered via memorial no. UB7027396 dated 21 March 1997.
3. The property is subject to Collateral Second Legal Charge in favour of Chiyu Banking Corporation Limited as registered via memorial no. 08091600100047 dated 8 September 2008.
4. The property is subject to Collateral Third Legal Charge dated 8 September 2008 in favour of Chiyu Banking Corporation Limited as registered via memorial no. 08091600100051 dated 8 September 2008.
5. Pursuant to a tenancy agreement dated 15 May 2008, Artwell Enterprises Limited, a wholly-owned subsidiary of the Company, rented the property from Alther Limited.

## Group VIII – Properties Rented by the Group in Thailand

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
16. Warehouse No. 4 5/4 Moo 8 Tambon Bangpakong Amphoe Bangpakong Chachoengsao Province Thailand	<p>The property comprises a single-storey warehouse building completed in about 1990's.</p> <p>The gross floor area of the property is 2,640 square metres.</p> <p>The property is held by the Group under a tenancy for a term of 1 year commencing on 19 November 2008 and expiring on 19 November 2009 at a monthly rent of THB184,800 exclusive of other charges.</p>	The property is occupied by the Group as warehouses.	No Commercial Value

*Notes:*

1. The registered owner of the property is Lo Chin Seng Co., Ltd., an independent third party to the Company.
2. Pursuant to a tenancy agreement dated 1 November 2008, Global Property Connection Co., Ltd., a wholly-owned subsidiary of the Company, rented the property from Lo Chin Seng Co., Ltd..
3. The valuation of the property is jointly prepared by Asset Appraisal Limited and Thai Property Appraisal Lynn Philips Co., Ltd. (Office of Private Land Surveyors Licensing Board of Thailand).

## Group VIII – Properties Rented by the Group in Thailand

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
17. Warehouse Nos. 3 and 9 at No. 59 Bangsai- Chiongranoi Road Changyai Sub-district Bangsai District Ayuddhaya Province Thailand	<p>The property comprises two single-storey warehouse buildings completed in about 1990's.</p> <p>The gross floor area of the property is 5,216.592 square metres.</p> <p>The property is held by the Group under two tenancy agreements for a term of 3 years commencing on 1 March 2008 and expiring on 28 February 2011 at a monthly rent of THB266,160 exclusive of other charges.</p>	The property is occupied by the Group as warehouses.	No Commercial Value

*Notes:*

1. The registered owner of the property is Chaiyong Agricultural Silo Co., Ltd. ("the registered owner"), the independent third party to the Company.
2. Pursuant to a tenancy agreement dated 29 February 2008, the registered owner leased the property to Thai Flour Mill Industry Co., Ltd. for a term expiring on 31 December 2011.
3. Pursuant to two tenancy agreements both dated 1 March 2008, Alush (Thailand) Co., Ltd., a wholly-owned subsidiary of the Company, subleased the property from Thai Flour Mill Industry Co., Ltd. which is an independent third party to the Group.
4. The valuation of the property is jointly prepared by Asset Appraisal Limited and Thai Property Appraisal Lynn Philips Co., Ltd. (Office of Private Land Surveyors Licensing Board of Thailand).

## Group VIII – Properties Rented by the Group in Thailand

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2008 HK\$
18. Warehouse Nos. 1 and 2 at No. 88 Moo 4 Sukhumwit Road Sriracha Chonburi 20110 Thailand	<p>The property comprises two single-storey warehouse buildings completed in about 1990's.</p> <p>The total gross floor area of the property is 10,300 square metres.</p> <p>The property is held by the Group under a tenancy for a term of 3 years commencing on 1 April 2008 and expiring on 31 March 2011 at a monthly rent of THB721,000 exclusive of other charges.</p>	The property is occupied by the Group as warehouses.	No Commercial Value

*Notes:*

1. The registered owner of the property is Sinpattana Property and Loan Fund, an independent third party to the Company.
2. Pursuant to a tenancy agreement dated 1 April 2008, MMT Consultant Co., Ltd. (a property agent of Sinpattana Property and Loan Fund) leased warehouse no.2 of the property to Alush (Thailand) Co., Ltd., a wholly-owned subsidiary of the Company, for a term of 3 years expiring on 31 March 2011.
3. Pursuant to a tenancy agreement dated 31 January 2008, Sinpattana Property and Loan Fund leased warehouse no. 1 of the property to Future Port Fusion Co., Ltd., an independent third party of the Company, at annual basis.
4. Pursuant to a tenancy agreement dated 29 March 2008, Alush (Thailand) Co., Ltd., a wholly-owned subsidiary of the Company, subleased warehouse no.1 of the property from Future Port Fusion Co., Ltd..
5. The valuation of the property is jointly prepared by Asset Appraisal Limited and Thai Property Appraisal Lynn Philips Co., Ltd. (Office of Private Land Surveyors Licensing Board of Thailand).

<b>APPENDIX IV</b>	<b>SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 May 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 18 February 2009. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

#### *(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

*(vi) Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their

dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(viii) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

*(ix) Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

*(x) Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any

change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days' and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days' and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days' and not less than ten (10) clear business days. All other extraordinary general meeting shall be called by notice of at least fourteen (14) clear days' and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to

the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares

unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 27 May 2008.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(n) Winding up**

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES****1. Incorporation and registration under Part XI of the Companies Ordinance**

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 8 May 2008. The Company has established its principal place of business in Hong Kong at Units 612-3 and 617, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 2 July 2008 and Mr. Chu Ming Chuan of House 41, The Riviera, Silverstrand, 10 Pik Sha Road, Sai Kung, New Territories, Hong Kong and Mr. Chan Yuk Tong of Flat A, 1st Floor, Block 2, King's Park Villa, 1 King's Park Rise, Kowloon, Hong Kong have been appointed as the authorised representatives of the Company for the acceptance of service of process in Hong Kong.

The Company was incorporated in the Cayman Islands and is subject to the Cayman Islands laws. Its constitution comprises a memorandum of association and articles of association. A summary of certain parts of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of the Company**

As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. Following its incorporation, one subscriber's Share had been allotted and issued as nil paid to Codan Trust Company (Cayman) Limited, and was transferred to AR Management at nil consideration on 8 May 2008.

Pursuant to the written resolutions of the sole Shareholder passed on 18 February 2009, the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional 1,996,200,000 Shares.

On 18 February 2009, in consideration of the transfer of the entire issued share capital of Alternative View from AR Management to the Company, the Company allotted and issued 99,999,999 Shares to AR Management and credited the one nil paid Share which was transferred to AR Management by Codan Trust Company (Cayman) Limited on 8 May 2008 as fully paid at par.

Immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option), the authorised share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares and the issued share capital of the Company will be HK\$30,000,000 divided into 300,000,000 Shares fully paid or credited as fully paid. Other than pursuant to the exercise of the

Over-allotment Option and the options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since the date of its incorporation.

### 3. Written resolutions of the sole Shareholder

On 18 February 2009, among other matters, resolutions in writing were passed by the sole Shareholder:

- (a) approving an increase of the authorised share capital of the Company from HK\$380,000 divided into 3,800,000 Shares to HK\$200,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,996,200,000 Shares;
- (b) approving the acquisition of the entire issued share capital of Alternative View from AR Management by allotment and issue of 99,999,999 new Shares as consideration shares and by crediting one nil paid Share which was transferred to AR Management by Codan Trust Company (Cayman) Limited on 8 May 2008 as fully paid at par;
- (c) that conditional on (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and (ii) the obligations of the Underwriter(s) under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of issue of this prospectus:
  - (i) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Summary of the terms of the Share Option Scheme" in the section headed "Share Option Scheme" of this Appendix, were approved and adopted and the Directors were authorised, among others, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme;

- (d) that conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise an amount of HK\$12,500,000 standing to the credit of the share premium account of the Company and to appropriate such amount in paying up in full at par 125,000,000 Shares for allotment and issue to the holders of issued Shares whose names appear on the register of members of the Company at close of business on 18 February 2009 (or as it may direct), and the Directors were authorised to give effect to such capitalisation and distribution;
- (e) that a general unconditional mandate was given to the Directors to allot, issue and deal with unissued Shares in the capital of the Company (otherwise than pursuant to (i) a rights issue; or (ii) the exercise of any of the subscription rights attaching to any options granted under the Share Option Scheme; or (iii) any scrip dividend scheme or similar arrangement providing for allotment and issue of shares in lieu of the whole or in part of any dividend in accordance with the Articles; or (iv) the Share Offer; or (v) the Capitalisation Issue; or (vi) the exercise of the Over-allotment Option) with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued under the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (bb) the aggregate nominal amount of the share capital of the Company purchased by the Company pursuant to the authority granted to the Directors as referred in paragraph (f) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (f) that a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued under the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (g) that the general unconditional mandate as mentioned in sub-paragraph (e) above was extended by the addition to the aggregate nominal amount of the Shares which may be allotted, issued or dealt with by the Directors pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the Shares in the capital of the Company repurchased by the Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (f) above; and
- (h) approving and adopting the Articles, the terms of which are summarised in Appendix IV to this prospectus.

#### 4. Corporate reorganisation

The companies comprising the Group underwent a corporate reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. In addition to the change in share capital of the Company as referred to in paragraph 2 above and the alterations in share capital of each of the Company's subsidiaries as referred to in paragraph 5 below, the Group also underwent the following corporate restructuring:

- (a) on 20 March 2008, Art Rich acquired the entire issued share capital of Alush Thailand from Mr. Chu, Ms. Liu, Mr. MK Chu, Mr. Jirasak Chuenchujitjaratkun ("**Mr. Jirasak**"), Ms. Tatsana Iamkul ("**Ms. Tatsana**"), Ms. Watcharin Kiatruangchai ("**Ms. Watcharin**"), and Ms. Punyanuch Maturros ("**Ms. Punyanuch**"), through (i) tri-party deeds of assignment and set off of the original loan agreements and share pledge agreements entered into between Mr. Chu and each of Ms. Liu, Mr. MK Chu, Mr. Jirasak respectively, under the Alush Arrangements, while the consideration for such assignment and set off was equivalent to the paid up value of the shareholdings for each of Ms. Liu, Mr. MK Chu, Mr. Jirasak; and (ii) payment of cash consideration of THB100 (equivalent to approximately HK\$20) per share by Art Rich, Alternative View, Artwell Tapioca, Artwell Enterprises, Art Ocean, Artsun Macao and All High to each of Mr. Chu, Ms. Tatsana, Ms. Punyanuch, and Ms. Watcharin respectively;
- (b) on 26 March 2008, Art Rich, Alternative View, Artwell Tapioca, Artwell Enterprises, Art Ocean and All High acquired the entire issued share capital of Global Property from Mr. Aja, Ms. Tatsana, Ms. Punyanuch, Ms. Kwanmuang Iadsoi ("**Ms. Kwanmuang**"), Mrs. Viraporn Onplee ("**Mrs. Viraporn**"), Ms. Watcharin and Mr. Su through (i) a tri-party deed of assignment and set off of the original loan agreement and share pledge agreement entered into between Mr. Chu, Mr. Su and Art Rich pursuant to the GP Arrangements, while the consideration for such assignment and set off was equivalent to the paid up value of the Shareholdings for Mr. Su; (ii) Aja-Art Rich Arrangements between Mr.

Chu, Mr. Aja and Art Rich; and (iii) payment of cash consideration of THB25 (equivalent to approximately HK\$5.6) per shares by Alternative View, Artwell Tapioca, Artwell Enterprises, Art Ocean and All High to each of Ms. Tatsana, Ms. Punyanuch, Ms. Kwanmuang, Mrs. Viraporn and Ms. Watcharin respectively;

- (c) on 31 March 2008, Alternative View had assigned a property located at Workshop No. 9, 7th Floor, Block A Veristrong Industrial Centre, No. 34–36 Au Pui Wan Street, Shatin, New Territories to Alpha Concord Investments Limited, a company owned by Mr. Chu and Mrs. Chu, at a consideration of HK\$965,000;
- (d) on 31 March 2008, Artwell Enterprises acquired a factory complex located at No. 22 Dongshen Road, E-gong Ling, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC from Mr. Chu at a consideration of RMB9,200,000 (equivalent to approximately HK\$10,450,300);
- (e) on 31 March 2008, Artwell Enterprises acquired from Exquisite Gold 50% issued share capital of Artwell Tapioca at a consideration of HK\$11,787,920;
- (f) on 31 March 2008, Alternative View acquired the entire issued share capital of Artwell Properties from Mr. Chu and Mrs. Chu at an aggregate consideration of HK\$1,128,897;
- (g) on 31 March 2008, Alternative View acquired the entire issued share capital of Fine Success from Mr. Chu and Mrs. Chu at an aggregate consideration of HK\$2,872,599;
- (h) on 31 March 2008, Alternative View acquired the entire issued share capital of Wide Triumph from Mr. Chu and Alther Limited at an aggregate consideration of HK\$5,694,267;
- (i) on 2 July 2008, Alternative View acquired the entire issued share capital of Artwell Enterprises from Mr. Chu and Mrs. Chu at an aggregate consideration of HK\$45,212,404;
- (j) on 2 July 2008, AR Management acquired the entire issued share capital of Alternative View from Mr. Chu, and the consideration for such acquisition has been satisfied by allotment and issue of 100 shares in AR Management, credited as fully paid, to Mr. Chu;
- (k) on 2 July 2008, AR Management allotted and issued 869 shares to Mr. Chu and 30 shares to Mrs. Chu, as such, the entire issued share capital of AR Management is beneficially owned as to 97% and 3% by Mr. Chu and Mrs. Chu respectively;

- (l) on 18 February 2009, the Company increased its authorised share capital from HK\$380,000 to HK\$200,000,000 by creation of an additional 1,996,200,000 Shares; and
- (m) on 18 February 2009, the Company acquired the entire issued share capital of Alternative View from AR Management, and the consideration for such acquisition has been satisfied by the allotment and issue of 99,999,999 Shares, accredited as fully paid, to AR Management and by crediting one nil paid Share which was transferred to AR Management by Codan Trust Company (Cayman) Limited on 8 May 2008 as fully paid at par.

#### 5. Changes in the share capital of subsidiaries of the Company

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus. In addition to the alterations described in paragraph 4 above, the following alterations in the share capital of each of the Company's subsidiaries took place during the two years immediately preceding the date of this prospectus:

- (a) Alush Thailand increased its authorised capital from THB3,000,000 (equivalent to approximately HK\$672,000) to THB12,000,000 (equivalent to approximately HK\$2,688,000) on 5 April 2007, upon which an aggregate of 90,000 shares of THB100 (equivalent to approximately HK\$20) each in the share capital of Alush Thailand were allotted and issued at par and fully paid up to Mr. Chu as to 26,100 shares, Ms. Liu as to 9,000 shares, Mr. MK Chu as to 9,000 shares and four Independent Third Parties as to 45,897 shares, one share, one share and one share respectively;

Alush Thailand further increased its authorised share capital from THB12,000,000 (equivalent to approximately HK\$2,688,000) to THB15,000,000 (equivalent to approximately HK\$3,360,000) on 22 January 2008, upon which an aggregate of 30,000 shares of THB100 (equivalent to approximately HK\$20) each in the share capital of Alush Thailand were allotted and issued at par and fully paid up to Mr. Chu as to 8,700 shares, Ms. Liu as to 3,000 shares, Mr. MK Chu as to 3,000 shares and four Independent Third Parties as to 15,270 shares, 10 shares, 10 shares and 10 shares respectively;

- (b) Art Rich was incorporated in the BVI on 11 January 2008 and its authorised share capital is US\$50,000 (equivalent to approximately HK\$390,000) divided into 50,000 shares of US\$1.00 (equivalent to approximately HK\$7.8) each, of which one share has been allotted and issued to Alternative View on 27 February 2008, credited as fully paid. Its entire issued share capital is beneficially owned by Alternative View;

- (c) Art Ocean was incorporated in the BVI on 5 February 2008 and its authorised share capital is US\$50,000 (equivalent to approximately HK\$390,000) divided into 50,000 shares of US\$1.00 (equivalent to approximately HK\$7.8) each, of which one share has been allotted and issued to Alternative View on 25 March 2008, credited as fully paid. Its entire issued share capital is beneficially owned by Alternative View;
- (d) All High was incorporated in the BVI on 6 February 2008 and its authorised share capital is US\$50,000 (equivalent to approximately HK\$390,000) divided into 50,000 shares of US\$1.00 (equivalent to approximately HK\$7.8) each, of which one share has been allotted and issued to Alternative View on 12 March 2008, credited as fully paid. Its entire issued share capital is beneficially owned by Alternative View; and
- (e) Artwell Cambodia was incorporated in Cambodia on 28 March 2008 and its authorised share capital is 20,000,000 Riels (equivalent to approximately HK\$38,000) divided into 1,000 shares of 20,000 Riels (equivalent to approximately HK\$38) each. Upon incorporation, 1,000 shares have been allotted and issued to and fully paid up by Art Rich, each of par value 20,000 Riels (equivalent to approximately HK\$38). Its entire issued share capital is beneficially owned by Art Rich.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase by the Company of its own securities

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

### (A) Provisions of the Listing Rules

The Listing Rules permit a company listed on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

#### (i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to a resolution in writing passed by the sole Shareholder on 18 February 2009, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued under the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

#### (ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with a company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Cayman Islands laws, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of profits or the share premium

account of the Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(B) Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

*(C) Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its constitutive documents and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of 300,000,000 Shares in issue immediately after the listing of the Shares, would result in up to 30,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

*(D) General*

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No purchase of Shares has been made by the Company within six months immediately prior to the date of this prospectus.

If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the tri-party deed of assignment and set off dated 20 March 2008 entered into among Mr. Chu, Ms. Liu and Art Rich, of which in consideration of an amount of THB1,500,000 (equivalent to approximately HK\$332,900) received from Art Rich, Mr. Chu agrees to assign all his rights, titles, benefits and interests of the debt of a principal amount of THB1,500,000 (equivalent to approximately HK\$332,900) owed by Ms. Liu to Mr. Chu to Art Rich, whereas Ms. Liu agrees to sell 15,000 shares of THB100 (equivalent to approximately HK\$20) each in the capital of Alush Thailand (each an "**Alush Share**") to Art Rich at a consideration of THB1,500,000 (equivalent to approximately HK\$332,900), which shall be set off against the debt originally owed by Ms. Liu to Mr. Chu which is now assigned to Art Rich;
- (b) the tri-party deed of assignment and set off dated 20 March 2008 entered into among Mr. Chu, Mr. MK Chu and Art Rich, of which in consideration of an amount of THB1,500,000 (equivalent to approximately HK\$332,900) received from Art Rich, Mr. Chu agrees to assign all his rights, titles, benefits and interests of the debt of a principal amount of THB1,500,000 (equivalent to approximately HK\$332,900) owed by Mr. MK Chu to Mr. Chu to Art Rich, whereas Mr. MK Chu agrees to sell 15,000 Alush Shares to Art Rich at a consideration of THB1,500,000 (equivalent to approximately HK\$332,900), which shall be set off against the debt originally owed by Mr. MK Chu to Mr. Chu which is now assigned to Art Rich;

- (c) the tri-party deed of assignment and set off dated 20 March 2008 entered into among Mr. Chu, Mr. Jirasak Chuenchujitjaratkun and Art Rich, of which in consideration of an amount of THB7,646,400 (equivalent to approximately HK\$1,696,700) received from Art Rich, Mr. Chu agrees to assign all his rights, titles, benefits and interests of the debt of a principal amount of THB7,646,400 (equivalent to approximately HK\$1,696,700) owed by Mr. Jirasak Chuenchujitjaratkun to Mr. Chu to Art Rich, whereas Mr. Jirasak Chuenchujitjaratkun agrees to sell 76,464 Alush Shares to Art Rich at a consideration of THB7,646,400 (equivalent to approximately HK\$1,696,700), which shall be set off against the debt originally owed by Mr. Jirasak Chuenchujitjaratkun to Mr. Chu which is now assigned to Art Rich;
- (d) the tri-party deed of assignment and set off dated 26 March 2008 entered into among Mr. Chu, Mr. Su and Art Rich, of which in consideration of an amount of THB122,375 (equivalent to approximately HK\$27,200) received from Art Rich, Mr. Chu agrees to assign all his rights, titles, benefits and interests of the debt of a principal amount of THB122,375 (equivalent to approximately HK\$27,200) owed by Mr. Su to Mr. Chu to Art Rich, whereas Mr. Su agrees to sell 4,895 shares in Global Property, representing 48.95% equity interests in Global Property, to Art Rich at a consideration of THB122,375 (equivalent to approximately HK\$27,200), which shall be set off against the debt originally owed by Mr. Su to Mr. Chu which is now assigned to Art Rich;
- (e) the tri-party deed of assignment dated 26 March 2008 entered into among Mr. Chu, Mr. Aja and Art Rich, of which in consideration of an amount of THB127,500 (equivalent to approximately HK\$28,300) received from Art Rich, Mr. Chu agrees to assign all his rights, titles, benefits and interests of the debt of a principal amount of THB127,500 (equivalent to approximately HK\$28,300) owed by Mr. Aja to Mr. Chu to Art Rich;
- (f) the loan agreement dated 26 March 2008 entered into between Art Rich as lender and Mr. Aja as borrower, pursuant to which Art Rich agrees to make available to Mr. Aja a loan in the sum of THB127,500 (equivalent to approximately HK\$28,300) and, as security to the said loan agreement:
  - (i) the share pledge agreement dated 26 March 2008 entered into between Art Rich and Mr. Aja, pursuant to which Mr. Aja agrees to pledge 5,100 shares in Global Property, representing 51% equity interests in Global Property, in favour of Art Rich;

- (ii) the letter of undertaking dated 26 March 2008 executed by Mr. Aja in favour of Art Rich, whereby Mr. Aja has undertaken, among other things, to assign and direct all dividends and special distributions paid and payable by Global Property in relation to his 5,100 shares in Global Property, and all distribution of assets made or to be made by Global Property in relation to his 5,100 shares in Global Property to Art Rich; and
- (iii) the form of proxy dated 26 March 2008 signed by Mr. Aja to appoint Art Rich as its proxy to, among other things, receive notices of shareholders' meetings of Global Property and to vote in all shareholders' meeting of Global Property;
- (g) the share purchase agreement dated 18 February 2009 entered into among AR Management as vendor, Mr. Chu as warrantor and the Company as purchaser, pursuant to which the Company agreed to purchase from AR Management 100 shares in the issued share capital of Alternative View, representing the entire issued share capital of Alternative Views, and in return the Company allotted and issued 99,999,999 new Shares, credited as fully paid, to AR Management;
- (h) the deed of non-competition dated 18 February 2009 made among the Company, AR Management and Mr. Chu, details of which are set out in the paragraph headed "Non-Competition Undertaking" under the section headed "Business" of this prospectus;
- (i) the Underwriting Agreement dated 25 February 2009, the principal terms of which are summarised in the paragraph headed "Underwriting Arrangements and Expenses" under the section headed "Underwriting" of this prospectus; and
- (j) the deed of indemnity dated 25 February 2009 executed by AR Management and its beneficial owner, namely Mr. Chu, in favour of the Company and its subsidiaries in respect of tax liabilities and other liabilities referred to in paragraph E-1 of this appendix.

## 2. Intellectual property rights

### (i) Trademark

Pursuant to a transfer agreement dated 26 March 2008, Mr. Chu assigned the ownership and interests of certain trademarks in the PRC to Art Ocean. Application for approval of such assignment has been submitted to the Trademark Office under the State Administration for Industry and Commerce of the PRC on 21 July 2008 and particulars of the trademarks assigned are as follows:

Trademark	Place of registration	Class	Registration Number	Date of submission of application for approval of assignment
雅  禾 Artwell	PRC	30	3488176	21 July 2008
 Artwell	PRC	29	3488192	21 July 2008
雅  禾 Artwell	PRC	31	3488193	21 July 2008

As at the Latest Practicable Date, the Group was the registered owner of the following trademarks:

Trademark	Place of registration	Class(es)	Registration number	Registration date	Expiry date
雅  禾 Artwell	Hong Kong	29, 30	301087452	8 April 2008	7 April 2018
 Artwell	Hong Kong	29, 30	301090124	10 April 2008	9 April 2018
雅  禾 Artwell	Hong Kong	31	301142748	18 June 2008	17 June 2018
 Artwell	Hong Kong	31	301142739	18 June 2008	17 June 2018
雅  禾 Artwell	Macau	29	N/36125	30 October 2008	30 October 2015
 Artwell	Macau	29	N/36121	30 October 2008	30 October 2015

Trademark	Place of registration	Class(es)	Registration number	Registration date	Expiry date
雅  禾 Artwell	Macau	30	N/36126	30 October 2008	30 October 2015
 Artwell	Macau	30	N/36122	30 October 2008	30 October 2015
雅  禾 Artwell	Macau	31	N/36818	24 November 2008	24 November 2015
 Artwell	Macau	31	N/36817	24 November 2008	24 November 2015

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks, but registration of which had not yet been granted:

Trademark	Applicant	Place of application	Date of application	Class(es)	Application number
 ANE	Art Ocean	Hong Kong	18 September 2008	29, 30, 31	301204154
 ACR	Art Ocean	Hong Kong	31 December 2008	29, 30, 31	301266471
 Artwell	Art Ocean	Thailand	28 May 2008	29	696609
 Artwell	Art Ocean	Thailand	28 May 2008	30	696611
 Artwell	Art Ocean	Thailand	25 June 2008	31	699935

*(ii) Domain name*

As at the Latest Practicable Date, the Group had registered the following domain names:

<b>Domain name</b>	<b>Registered owner</b>	<b>Date of registration</b>
asiacassava.cn	Art Ocean	17 October 2008
asiacassava.com	Art Ocean	17 October 2008
asia-new-energy.com	Art Ocean	16 June 2008
asia-new-energy.cn	Art Ocean	17 June 2008
artwellgroup.com.hk	Artwell Enterprises	30 January 2001

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to the Group's business.

### 3. Further information about the Group's PRC establishments

The Group has interests in the registered capital of one wholly foreign-owned enterprise established under the laws of PRC, namely Rizhao Yushun. A summary of the corporate information of Rizhao Yushun is set out as follows:

*(a) Rizhao Yushun*

Date of establishment:	19 July 2001
Nature:	wholly foreign-owned enterprise
Total investment amount:	USD1,800,000 (equivalent to approximately HK\$14,040,000)
Registered capital:	USD1,260,000 (equivalent to approximately HK\$9,828,000)
Equity holder:	Artwell Enterprises
Attributable interest to the Group:	100%
Term:	50 years from 19 July 2001 to 18 July 2051
Scope of business:	wholesale, export and import of dry cassava, cassava starch, raw material for textile, woods, daily products, washing and cleaning products, cosmetics, hardware tools, sports products, textile products, machineries and electronic products; coal (excluding export); other export/import trading services (excluding distribution) (all excluding those activities which require specific licenses)

## C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

## 1. Disclosure of interests

- (a) Save as disclosed herein and in the paragraph headed "Summary of material contracts" in this Appendix, none of the Directors or the experts named in the paragraph headed "Consents and qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus; and
- (b) Save as disclosed in the paragraph headed "Summary of material contracts" in this Appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

## 2. Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years commencing on 23 March 2009. Under the service contracts, after each completed year of service, the remuneration payable to each of the executive Directors may be adjusted at the discretion of the Board and each of them may be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the Directors for such year shall not exceed 5% of the audited combined/consolidated profit after tax and minority interest (if any). Under the service contracts, the initial basic remuneration payable to each of the executive Directors per annum is as follows:

Mr. Chu	HK\$494,000
Mr. MK Chu	HK\$781,300
Ms. Liu	HK\$390,000
Mr. Chan Yuk Tong	HK\$1,000,000
Ms. Lam Ching Fun	HK\$370,500

Each of the independent non-executive Directors is appointed for an initial term of 3 years commencing from 23 March 2009. The annual fee payable to each of the independent non-executive Directors is as follows:

Mr. Lee Kwan Hung	HK\$180,000
Mr. Yue Man Yiu Matthew	HK\$144,000
Professor Fung Kwok Pui	HK\$144,000

### 3. Directors' remuneration

Remuneration and benefits in kind granted to the Directors, of approximately HK\$1.5 million in aggregate were paid and granted by the Group to the Directors in respect of the financial year ended 31 March 2008.

Under the current arrangements, the Directors will be entitled to receive remuneration which, for the year ending 31 March 2009, is expected to be approximately HK\$3.0 million, excluding the discretionary bonuses payable to the Directors.

### 4. Interests and short position of Directors in the share capital of the Company after the Share Offer and the Capitalisation Issue

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of Shares which may be taken up under the Share Offer and the exercise of the Over-allotment Option), the Directors will have the following interests and short position in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed:

#### (i) The Company

##### (a) Interests in Shares

Name of Directors	Number of Shares held	Nature of interests	Approximate percentage of shareholding
Mr. Chu (Note 1)	225,000,000(L)	Interest in controlled corporation	75%

(L) denotes long position

Note:

- The entire issued share capital of AR Management is legally and beneficially owned by Mr. Chu as to 97% and Mrs. Chu as to 3%. By virtue of the SFO, Mr. Chu is deemed to be interested in the 225,000,000 Shares held by AR Management.

(ii) *Associated corporations*

Name of associated corporation	Name of Director	Capacity	Number of shares in the associated corporation	Approximate percentage of shareholding in the associated corporation
AR Management (Note)	Mr. Chu	Beneficial interests	970	100%
		Deemed interest	30	

*Note:* AR Management is a holding company of the Company and is owned as to 97% by Mr. Chu and 3% by Mrs. Chu. Mr. Chu is also deemed to be interested in the shares of AR management held by Mrs. Chu.

#### 5. Interests and short position of Substantial Shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Share Offer and the Capitalisation Issue, as far as known to the Directors (taking no account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option), the following (not being a Director or chief executive of the Company), will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholders	Notes	Nature of interests	Total	Approximate percentage or attributable percentage of shareholdings
Mrs. Chu	1	Deemed interests	225,000,000(L)	75%
AR Management	1	Beneficial owner	225,000,000(L)	75%

(L) *denotes long position*

*Note:*

- The entire issued share capital of AR Management is legally and beneficially owned by Mr. Chu as to 97% and Mrs. Chu as to 3%. As spouse, Mrs. Chu is deemed to be interested in the shares of AR management which Mr. Chu is interested in.

**6. Personal guarantees**

Certain Directors have provided guarantees in favour of certain banks for debts and liabilities due by certain members of the Group. The Group has received written consents in principle from its bankers to the effect that such guarantees are expected to be released and replaced by corporate guarantees and/or other security to be provided by the Company and/or other members of the Group after listing of the Shares on the Stock Exchange.

**7. Agency fees or commission**

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

**8. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of the Company has any interest, any long and short positions in shares and underlying shares, listed or unlisted derivatives of, or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed;
- (b) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (c) none of the Directors or the experts named in the paragraph headed "Consents and qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

- (d) none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of Shares which may be taken up under the Share Offer, the Capitalisation Issue and Shares falling to be issued upon exercise of the Over-allotment Option, none of the Directors is aware of any person (not being a Director or chief executive of the Company) who will immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Share Offer or Shares falling to be allotted and issued upon the exercise of the Over-allotment Option) be interested or have a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the experts named in the paragraph headed “Consents and qualifications of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or is an officer or servant or in employment of an officer or servant of the Group.

#### D. SHARE OPTION SCHEME

##### Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the board of Directors (“the Eligible Participants”), has contributed or may contribute to the Group as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

(b) *Grant and acceptance of options*

Subject to the terms of the Share Option Scheme, the Directors may, in its absolute discretion make offer to the Eligible Participants.

An offer shall be made to an Eligible Participant in writing in such form as the Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) *Price of Shares*

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of the Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a Business Day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) *Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of Shares as equals 10 per cent. of the issued share capital of the Company at the date of approval of the Share Option Scheme. On the basis of a total of 300,000,000 Shares

in issue as at the Listing Date, the relevant limit will be 30,000,000 Shares which represent 10% of the issued Shares at the Listing Date. The Company may seek approval by its shareholders in general meeting to refresh the 10 per cent. limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of the Group in these circumstances must not exceed 10 per cent. of the issued share capital of the Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

- (ii) The Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10 per cent. limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by the Company before such approval is sought. The Company will send a circular to the shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the Listing Rules from time to time.
- (iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of the Group must not exceed 30 per cent. of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded.
- (iv) Unless approved by the Company's shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent, of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant

must be separately approved by shareholders of the Company in general meeting with such Eligible Participant and his associates abstaining from voting. The Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of meeting of the board of Directors for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The exercise of any option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the Company to allot the Shares on the exercise of any option.

*(e) Exercise of options*

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of the auditors' certificate, the Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, the Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as the Directors may determine in their absolute discretion.

*(f) Restrictions on the time of grant of options*

No option shall be granted by the Directors under the following circumstances:

- (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules; and
- (ii) during the period commencing one month immediately preceding the earlier of:
  - (aa) the date of the meeting of the board of Directors for the approval of the annual results, interim results and quarterly results of the Company; and
  - (bb) the deadline for the Company to publish its annual results or interim results announcement under the Listing Rules, and ending on the date of the results announcements.

*(g) Rights are personal to grantees*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

*(h) Rights on ceasing employment*

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or any member of the Group into disrepute).

(i) *Rights on death*

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of the Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as the Directors may determine.

(j) *Cancellation of options*

Where the Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the shareholders of the Company as mentioned in paragraph (d) above.

(k) *Effect of alterations to share capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of the Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of the Company), repurchase, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever (excluding any alternation in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party), then, in any such case (other than in the case of capitalisation of profits or reserves) the Company shall instruct the auditors to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
  - (aa) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
  - (bb) the subscription price; and/or
  - (cc) the maximum number of Shares referred to in paragraph d(i); and/or

- (dd) the method of the exercise of the option(s),
- or any combination thereof, and an adjustment as so certified by the auditors shall be made, provided that:
- (aa) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;
  - (bb) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
  - (cc) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
  - (dd) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
  - (ee) to the advantage in any respect of the grantee without specific prior approval of the shareholders of the Company.
- (B) in respect of any such adjustment, other than any made on a capitalisation issue, the auditors must confirm to the Directors in writing that the adjustment so made satisfies the requirements of Rule 17.03(13) of the Listing Rules, the supplement guidance issued by the Stock Exchange on 5 September 2005, any other relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto.

*(I) Rights on a general offer*

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time thereafter and up to the close of such offer (or any revised offer).

*(m) Rights on winding up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

*(n) Rights on a compromise or arrangement*

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between the Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to the Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by the Company not later than two Business Days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice.

*(o) Rights on a scheme of arrangement*

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such scheme of arrangement is formally proposed to the shareholders in the Company, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised)

to its full extent or to the extent specified in the grantee's notice to the Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

*(p) Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

*(q) Duration and administration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of the Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of the Directors whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

*(r) Alternations to the terms of the Share Option Scheme*

- (i) alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of the Company's shareholders in general meeting;
- (ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Company's shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

- (iii) any change to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Company's shareholders in general meeting; and
  - (iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.
- (s) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued by the Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
  - (ii) commencement of dealings of Shares on the Stock Exchange; and
  - (iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by the shareholders of the Company in general meeting or by way of written resolution and to authorise the Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.
- (t) *Grant of options to connected persons or any of their associates*

Each grant of options to any of the Directors, chief executive of the Company or Substantial Shareholder or an independent non-executive Director, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of his associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1 per cent. of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by shareholders of the Company. The Company must send a circular to its shareholders. All connected persons (as defined in the Listing Rules) of the Company must

abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (iii) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the shareholders' meeting and the date of the meeting of the board of Directors for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (iv) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent shareholders as to voting; and
- (v) the information as may be required under the Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a Substantial Shareholder or an independent non-executive Director, or any of their respective associates.

*(u) Lapse of option*

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);
- (iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);
- (v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;

- (vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (vii) the date of the commencement of the winding-up of the Company referred to in paragraph (m);
- (viii) the date on which the grantee commits a breach of paragraph (g);  
or
- (ix) the date on which the option is cancelled by the Board as set out in paragraph (j).

(v) *Termination*

The Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Miscellaneous*

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph (k) above shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

(x) *Present status of the Share Option Scheme*

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Share in issue upon completion of the Share Offer.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

**E. OTHER INFORMATION**

**1. Estate duty and tax and other indemnities**

Each of Mr. Chu and AR Management (each an “**Indemnifier**”), pursuant to a deed of indemnity referred to in the paragraph headed “Summary of material contracts” of this Appendix, has given joint and several indemnities in respect of, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of the Group prior to the date on which The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect, being 11 February 2006, and (b) any tax liabilities which might be payable by any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”), save to the extent:

- (a) that provision has been made for such taxation in the audited accounts of the Company or any of its subsidiaries up to 31 August 2008; or
- (b) that such taxation falling on any member of the Group in respect of their current accounting periods or any accounting period commencing on or after 1 September 2008 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (1) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 August 2008; or

- (2) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 August 2008 or pursuant to any statement of intention made in this prospectus; or
- (c) of any provision or reserve made for such taxation in the audited accounts of any member of the Group up to 31 August 2008 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter; or
- (d) that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the Effective Date or to the extent that such claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

In addition, pursuant to the deed of indemnity, the Indemnifiers have also given indemnity in connection with certain lease agreements (the "**Lease Agreements**") in respect of the properties (the "**Affected Properties**") currently used by the Group as liaison centres located in certain cities in the PRC, namely Lianyungang, Qingdao, Rizhao and Jinan. Each of the Indemnifiers has jointly and severally undertaken to indemnify and to keep each of the member of the Group fully indemnified in respect of any loss, damages, liability, relocation cost and disruption in operation suffered by any member of the Group as a result of or in connection with the forfeiture of the tenancy under any of the Lease Agreements due to any failure of any of the lessors ("**Lessors**") of the Affected Properties under the Lease Agreements to comply with the requisite procedures (including but not limited to registration or filing of the Lease Agreements with the relevant PRC governmental authorities) under the applicable PRC laws and regulations in respect of the Lease Agreements and/or any of the Lessors does not have the building ownership right or land use right in respect of the Affected Properties or has not obtained the required land use right certificate and building ownership certificate in respect thereof, or otherwise does not have the right, authority or capacity to grant the tenancy of the Affected Properties under the Lease Agreements or the actual use of any of the Affected Properties does not comply with the permitted use under the relevant land use right certificate and building ownership certificate.

Furthermore, each of the Indemnifiers has also jointly and severally undertaken to indemnify and keep each of the Group members fully indemnified against all claims (including but not limited to any taxation claim issued or action taken by any statutory or governmental authority whatsoever in Hong Kong, Macau, the PRC, Thailand, Cambodia or any part of the world), actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, fines and of whatever nature suffered or incurred by any of the Group members directly or indirectly as a result of or in connection with any of the following:

- (a) the non-compliance of operation of the business of Rizhao Yushun with its permitted business scope;
- (b) the late payments of the initial registered capital of US\$600,000 (equivalent to approximately HK\$4,680,000) and the increased part of the registered capital of US\$660,000 (equivalent to approximately HK\$5,148,000) of Rizhao Yushun by Artwell Enterprises;
- (c) the signing of, and holding the contractual rights and obligations under, the processing agreement dated 22 November 1991 (as extended/supplemented by five contracts undated and dated 15 October 1998, 17 March 2003, 11 August 2004 and 20 January 2009 respectively) between Artwell Enterprises 寶安縣平湖鎮鵝公嶺經濟發展公司 (now known as 深圳市鵝公嶺股份合作公司) (Shenzhen Egongling Stock Cooperative Company) and Longgang District Pinghu Egongling Yahe Plastic Hardware Composite Factory (龍崗區平湖鵝公嶺雅和塑膠五金綜合廠) by Artwell Enterprises as nominee for Mr. Chu and an Independent Third Party respectively;
- (d) the non-compliance with section 122 of the Companies Ordinance by Artwell Property in relation to its financial statements for the period from 3 September 2004 to 31 March 2006;
- (e) the Aja-Art Rich Arrangements; and
- (f) any loans and advances made by any group members in the PRC from time to time and during the Track Record Period to other companies controlled by Mr. Chu, including Jinan Yaxin Property Development Company Limited (濟南雅新房地產開發有限公司), a wholly foreign-owned enterprise established in the PRC.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands, being the jurisdiction in which the company comprising the Group is incorporated.

## 2. Litigation

As at the Latest Practicable Date, no member of the Group was currently engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

### 3. Sponsor

Taifook Capital has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

### 4. Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK\$30,000 and are payable by the Company.

### 5. Promoter

The promoter of the Company is Mr. Chu.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of the Company in connection with the Share Offer or the related transactions described in this prospectus.

### 6. Consents and qualifications of experts

Each of, Taifook Capital, Ernst & Young, Asset Appraisal Limited, Conyers Dill & Pearman, Jingtian & Gongcheng, Wissen & Co. Ltd., Nishizawa Consulting Co., Ltd., Hills & Co., C&C Advogados, B.N.G. Advocates & Solicitors and Beijing Wefore Investment Consulting Co., Ltd. has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificates, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

<b>Name</b>	<b>Qualification</b>
Taifook Capital	Corporation licensed to carry on type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO
Ernst & Young	Certified public accountants
Asset Appraisal Limited	Property valuers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Legal advisers on PRC laws
Hills & Co.	Legal advisers on PRC laws
Wissen & Co. Ltd.	Legal advisers on Thailand laws
Nishizawa Consulting Co., Ltd.	Legal advisers on Thailand laws
C&C Advogados	Legal advisers on Macau laws
B.N.G. Advocates & Solicitors	Legal advisers on Cambodia laws
Beijing Wefore Investment Consulting Co., Ltd.	Industry researcher

Save as disclosed in the paragraph headed “Underwriters’ interests in the Company” in the section headed “Underwriting” of this prospectus, none of the Sponsor, Ernst & Young, Jingtian & Gongcheng, Hills & Co., Asset Appraisal Limited, Conyers Dill & Pearman, Wissen & Co. Ltd., Nishizawa Consulting Co., Ltd., C&C Advogados, B.N.G. Advocates & Solicitors and Beijing Wefore Investment Consulting Co., Ltd.:

- (a) is interested beneficially or non-beneficially in any shares in any member of the Group: or
- (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

#### **7. Binding effect**

This prospectus shall have the effect, if any application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

#### **8. Share register and transfer office**

The Company’s register of members will be maintained in Hong Kong by its registrar and transfer office, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong. Unless the Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with and registered by the share registrar and transfer office in Hong Kong.

#### **9. Taxation of holders of Shares**

##### *(a) Hong Kong*

The sale, purchase and transfer of Shares registered with the Company’s Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of or of the value of the Shares being sold or transferred, whichever is the higher. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

##### *(b) Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

10. **Miscellaneous**

- (a) Save as disclosed in this prospectus:
  - (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) within the two years immediately preceding the date of this prospectus, no commissions, discount, brokerages or other special terms have been granted in connected with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
  - (iii) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of the Company or any of its subsidiaries;
  - (iv) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (v) the Directors confirm that save as disclosed in the paragraph headed "Material Adverse Change" in the section headed "Financial Information" of this prospectus, there has been no material adverse change in the financial position or prospects of the Group since 31 August 2008 (being the date on which the latest audited combined financial statements of the Group were made up).
- (b) The Company has no founder shares, management shares or deferred shares in the capital of the Company.
- (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

<b>APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b>
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## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to in the paragraph headed "Consents and qualifications of experts" in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the offices of Michael Li & Co. at 14/F, Printing House, 6 Duddell Street, Central, Hong Kong during normal business hours up to and including 13 March 2009:

- the memorandum of association and articles of association of the Company;
- the accountants' report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- the letter prepared by Ernst & Young in respect of the pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- the audited financial statements as have been prepared for the companies comprising the Group for each of the two financial years ended 31 March 2008 or 31 December 2007 (whichever applicable) or the period since their respective dates of incorporation, where this is a shorter period;
- the valuation report prepared by Asset Appraisal Limited relating to the property interest of the Group, the text of which are set out in Appendix III to this prospectus;
- the PRC legal opinion dated 26 February 2009 issued by Jingtian & Gongcheng;
- the PRC legal opinion dated 26 February 2009 issued by Hills & Co.;
- the Thai legal opinion dated 26 February 2009 issued by Wissen & Co. Ltd.;
- the Thai legal opinion dated 26 February 2009 issued by Nishizawa Consulting Co., Ltd.;
- the Cambodian legal opinion dated 26 February 2009 issued by B.N.G. Advocates & Solicitors;
- the Macau legal opinion dated 26 February 2009 issued by C & C Advogados;
- the rules of the Share Option Scheme;

<p style="text-align: center;"><b>APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b></p>
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- the Companies Law of the Cayman Islands;
- the letter of advice issued by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to Appendix IV to this prospectus;
- the Cassava Market Report issued by Beijing Wefore Investment Consulting Co., Ltd. in May 2008;
- the service contracts referred to in the paragraph headed "Particulars of service contracts" in Appendix V to this prospectus;
- the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus; and
- the written consents referred to in the paragraph headed "Consents and qualifications of experts" in Appendix V to this prospectus.